

# Preface

During the course of my teaching and research career of more than twenty years, I have seen the emergence of a workforce that is a well-informed, dynamic and diverse entity. To be successful in effectively handling such a workforce, employers, managers and supervisors need to be up to date with the current trends as well as possess a strong theoretical foundation of human resource practices. The contents of *Human Resource Management* have been developed, therefore, to provide students as well as practicing managers with all-inclusive, multifaceted information in a highly readable and understandable form. Besides adopting a user-friendly format, each chapter in the book has several unique real-life examples to support its theoretical discussion and help readers understand the subject matter easily.

## Organization

This book has 20 chapters to enable readers gain complete insights into the different domains of HRM. Based on the role and responsibilities of HR managers, these chapters are divided into seven parts. The parts and their purposes are:

**Part I—Human Resource Management—A Conceptual Framework** familiarizes the reader with the elements of human resource management.

**Part II—Procurement** provides an insight into the topics connected with recruitment, selection and placement of human resources in the organization. Thus, this part includes job analysis, HR planning, recruitment, selection and placement, orientation and socialization.

**Part III—Development** focuses on the topics relating to employee training and management development. The areas of discussion under this part are career planning and development, employee training, management development.

**Part IV—Evaluation and Compensation** comprehensively deals with the core and critical areas of HR management such as employee performance evaluation, compensation administration, and incentives and benefits management.

**Part V—Maintenance and Motivation** discusses matters relating to employee motivation and retention. This part covers employee well-being, employee welfare and social security, workers' participation and empowerment, and job rotations.

**Part VI—Integration** offers an insight into the activities that foster employer-employee relations. This part thus includes chapters on industrial relations, discipline and disciplinary action, employee grievance.

**Part VII—Special Topics** discusses in detail the emerging areas of human resource management such as ethical issues in human resource management and international human resource management.

**Miscellaneous Topics** discusses assorted topics such as human resource policies, cost-benefit analysis of recruitment sources, employee mobility and employee attrition.

Each part in this book received equal weightage in terms of treatment and coverage. Thus, the readers will find an elaborate discussion even on newer areas of human resource management.

# Introduction to Human Resource Management

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

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

Infosys Technologies has been adjudged the best employer of the year by a number of leading human resource (HR) surveys for its outstanding HR practices. It is one of the few companies that succeeded in greatly influencing the attitude and behaviour of the employees and the performance of the organization through creative HR practices.

The HR policies of Infosys include: (i) focusing on the learnability of candidates in recruitment; (ii) emphasizing continuous learning through employee training. For this reason, it has developed a world-class training centre called the Global Education Center at Mysore to train fresh recruits and an Infosys Leadership Institute to develop future leaders of the companies; (iii) evaluating the

performance of employees in a scientific manner through a competency-mapping system and (iv) using a variable compensation structure, which considers the collective performance of the individual, the team and the organization as a whole for fixing the employee-compensation packages. To sum up, its HR philosophy, policy, practices and management have played a pivotal role in making Infosys a \$2 billion company today.

The success story of Infosys is a proof that HR management (HRM) can be a definite competitive advantage for a firm and can make a real difference not only to the fortune of the organizations but also to the individuals as well. Keeping this success story in mind, let us first learn the basics of HRM in this chapter.

## Introduction

Every organization is essentially a combination of physical and human resources (HR). Physical resources refer to materials, money and machines pre-arranged by the organization for production or trade. Human resources, on the other hand, refer to the knowledge, education, skills, training

and proficiency of the members of the organization. All organizational resources are important for achieving the objectives of an organization. In fact, the effectiveness of an organization lies in the judicious blending of the two resources to achieve optimum competency.

However, for a long time, it was felt that the efficient utilization of physical resources was primary for developing an organization. This was so because the acquisition of physical resources resulted in a huge outflow of funds and those assets carried a definite value. On the contrary, it was felt that hiring employees never cost anything substantial for a firm and it was also quite easy to replace them. This made human resources less important for employers. But, in the past decade, employers have realized that intellectual capital is critical to business success. The main reasons for this change are due to the understanding that

1. Product innovation and marketing strategy, which are crucial for market survival and growth in a competitive environment, are possible only when a good and creative workforce is present.
2. The challenge, opportunities and even disputes of creating and managing organizations arise mostly from people-centred problems.
3. People are not alike and they cannot be treated identically. They differ physically and psychologically. These differences require individual attention in order to achieve the optimum productivity.

Indian organizations are no exception to this change in understanding. They realize that technology by itself cannot triumph in the market and that technology coupled with a workforce is essential for the success of an organization. The growing importance of HR in Indian organizations is best reflected in their mission statements. The mission statements of a few Indian organizations, which emphasize the significance of human resources, are presented in Table 1.1.

## Meaning of Human Resources

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

**Table 1.1 Mission Statements of a Few Organizations**

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To develop ICICI Bank into an organization that is empowered by bright and talented individuals, working in teams and riding on the backbone of world-class technology.

–ICICI BANK

To be a globally respected corporation that provides the best-of-breed business solutions leveraging technology delivered by the best-in-class people.

–INFOSYS

To deliver superior value to our customers, shareholders, employees, and society at large.

–ADITYA BIRLA GROUP

To ensure anywhere and anytime banking for the customer with the latest state-of-the-art technology and by developing effective customer-centric relationships and to emerge as a world-class service provider through efficient utilization of human resources and product innovation.

– ALLAHABAD BANK

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**Box  
1.1**
**Definitions of human resources**

Human resources are “a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, sociological and ethical components.”<sup>1</sup>

–Michael J. Jucius

“From the national point of view, human resources are knowledge, skills and attitude obtained in the population; while for individual enterprises, they represent the total of the abilities, knowledge and skills of its employees.”<sup>2</sup>

–Leon C. Megginson

We would define *human resources* as the collection of people and their characteristics at work. These are distinct and unique to an organization in several ways.

## Uniqueness of Human Resources

The distinct features of human resources are:

1. Human resources are the only assets that appreciate *over a period* while physical resources just depreciate with years.
2. Further, human resources alone can produce an *output larger than the input*. This is possible due to the creative skills of humans. Creative thinking is the process of predicting, envisioning and then inventing an idea, concept or insight along innovative and alternative lines. People in the organization are the only basis for such creativity and there is no obvious limit to their imagination.
3. Organizations require human resources of different types to operate all physical resources. Thus, they *provide utility value to each one of the physical assets*. In fact, the real worth of a physical asset depends on the quality and calibre of the people working with it. An incompetent workforce will spoil the physical resources available to it.
4. There is a growing realization that *the flexibility of an organization depends more on people than on any technical factors*. Modern equipment may ensure quality and cost-competitiveness but the operational flexibility, which is core to product modification and innovation, is provided only by the employees. This is so since humans alone could grasp the situation adequately and respond suitably.

The effective utilization of human resources is a complex task. It requires greater foresight and strategic consideration on the part of the management. For instance, attracting the most qualified employees, matching them to the jobs for which they are best suited and retaining them within the organization are significant for the success of an organization. But this calls for closer coordination and better understanding between the employers and the employees. However, many enterprises are too large to permit close contact between the top management and the employees. This is where HR managers act as a crucial link between the management and the employees.

HRM, as a field of study, makes a sincere effort to provide knowledge, skills and ability for managing human resources more effectively. The basic task of HRM is the selection of the right person for the right job at the right time to carry out the activities of an organization in the most efficient way. It also aims to enhance the satisfaction, morale and productivity of employees, control labour turnover, and help organizations increase their performance by providing the necessary training and development opportunities, suitable working conditions and appropriate career growth to employees.

**Box  
1.2****Definitions of HRM**

“Personnel management, or say human resource management, is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are accomplished.”<sup>3</sup>

–Edwin B. Flippo

“Personnel management is that part of management (which is) concerned with people at work and with their relationships within an enterprise. Its aim is to bring together and develop into an effective organization the men and women who make up an enterprise and, having regard for the well-being of the individual and of working groups, to enable them to make their best contribution to its success.”<sup>4</sup>

–Institute of Personnel Management (IPM)

“Human resource management is concerned with the people dimension in management. Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are essential to achieving organizational objectives. This is true, regardless of the type of organization—government, business, education, health, recreation, or social action.”<sup>5</sup>

–David A. Decenzo and Stephen P. Robbins

“Human resource management is a series of integrated decisions that form the employment relationship; their quality contributes to the ability of the organizations and the employees to achieve their objectives.”<sup>6</sup>

–George T. Milkovich and John W. Boudreau

Though different authors have defined HRM differently, they have all emphasized the effective utilization of the workforce for accomplishing the organizational and individual goals and objectives. Some of these definitions of HRM are mentioned in Box 1.2.

To sum up, we can say that HRM is concerned with policies and practices that ensure the best use of the human resources for fulfilling the organizational and individual goals.

## Objectives of HRM

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

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

Box 1.3 describes the HR objectives of the Tata group.

**Box  
1.3****HR Objectives of the Tata Group**

A Tata company shall provide equal opportunities to all its employees and all qualified applicants for employment without regard to their race, caste, religion, colour, ancestry, marital status, gender, sexual orientation, age, nationality, ethnic origin or disability.

HR policies shall promote diversity and equality in the workplace as well as compliance with all local labour laws, while encouraging the adoption of the best international practices.

Employees of a Tata company shall be treated with dignity and in accordance with the Tata policy of

maintaining a work environment free of all forms of harassment, whether physical, verbal or psychological. Employee policies and practices shall be administered in a manner consistent with the applicable laws and the other provisions of this code, respect for the right to privacy and the right to be heard, and that in all matters equal opportunity is provided to those eligible and that decisions are based on merit.

*Adapted from:* <http://www.tata.com/aboutus/articles/inside.aspx>.

## Scope of HRM

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

Further, knowledge of the basics of HRM is important even to non-managerial employees as they may be keen to know the impact of the personnel policies of their organization on their own compensation, training and career growth aspects. Thus, the personnel aspects of management run through the entire organization.

The Institute of Personnel Management (IPM)<sup>7</sup> has mentioned the scope of HRM as follows:

**Personnel or Labour Aspect** The first aspect deals with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay-offs and retrenchment, remuneration, incentives and productivity.

**Welfare Aspect** This aspect is concerned with the working conditions and with amenities such as canteen, crèches, rest- and lunch-rooms, housing, transport, medical assistance, education, health and safety, and recreation facilities.

**Industrial Relations Aspect** This aspect pertains to union-management relations, joint consultations, collective bargaining, grievance and disciplinary actions, and settlement of disputes.

In the last decade, there has been a realization amongst managers that good plans, effective organizational structures, impressive plants and modern technologies may not guarantee the success of the organization unless they hire the right persons, train them suitably, appraise them properly, and constantly motivate them to get the desired results. This new understanding

showed the way for further research in the field of HR aspects, resulting in the development of new techniques and styles of HR management. This has further widened the scope of HRM.

## Functions of HRM

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

### Managerial Functions

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

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

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

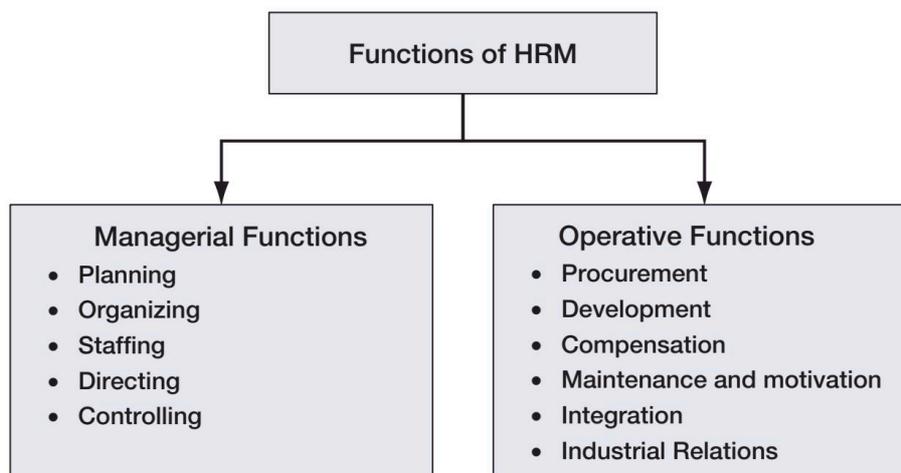


Figure 1.1

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### Functions of HRM

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

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

**Staffing** This function deals with the creation and maintenance of human resources through employment, compensation, benefits, training and development, and industrial relations measures. It aims to put in place HR policies in order to deal with wage fixation, working conditions, and promotional opportunities for prospective employees. The steps involved in the staff function are

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

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

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

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

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

Next, let us look at the operative functions.

## Operative Functions

Staffing is one of the managerial functions. But this function is normally performed by the HR managers for all the departments of the firm. In most organizations, the HR department establishes personnel policies and coordinates the HR functions of all the departments. This function is also called the operative function or HRM function. It includes, amongst others, the processes of hiring, training, compensating, appraising and retaining employees, and attending to their labour relations, health and safety, and equality concerns (see Fig. 1.2). Andrews<sup>8</sup> has carried out a detailed study on the functions of HRM and commented:

*In most organizations, the personnel or HR department establishes policies and coordinates functions such as job analysis, personnel planning, the recruitment and selection of employees, training and development, performance appraisal, compensation and employee benefits, labour relations, employee discipline and control, and occupational health and safety.*

We shall now discuss the operative functions of HRM.

**Procurement** Procurement refers to a series of activities undertaken by the HR managers for filling the present and future vacancies of the organization. The activities include job analysis and designing, HR planning, recruitment and, finally, the selection of suitable employees. Here, job analysis refers to both the determination of specific tasks and responsibilities connected to a job and identifying the skills, knowledge and abilities required for the job holder. HR planning involves choosing and placing the right person at the right job and

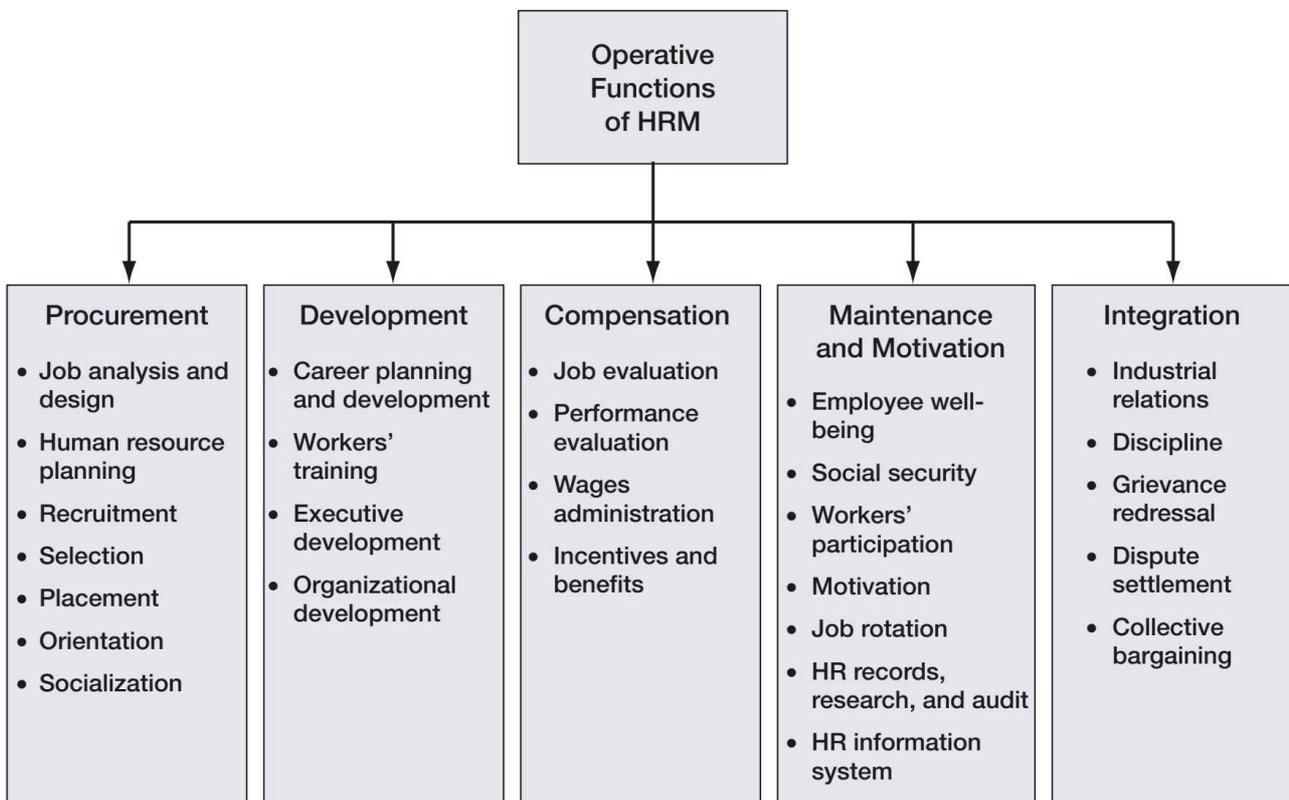


Figure 1.2

### Operative Functions of HRM

at the right time. Recruitment involves gathering a pool of applicants from which suitable employees may be selected. Lastly, selection involves screening, testing, interviewing and hiring the most suitable employees for the organization.

**Development** Development here refers to both employees' training and management development. HR managers are responsible for conducting and supervising training and development programmes for employees. The purpose of a training and development programme is to increase the employees' competencies in their job by improving their knowledge, skills and abilities. Training and development is widely accepted as a method for enhancing the employee skills, increasing the individual and organizational performance, improving the employee morale, and achieving the business growth and success.

**Compensation** Compensation refers to the determination of the pay scale and other benefits for the employees. Establishing and maintaining the pay system of an organization is one of the principal jobs of the HR managers. They must devise ways to ensure fair and equitable pay rates. In addition, HR managers should regularly manage the performance evaluation system of the organization, and continuously design reward systems such as performance-linked incentive plans and bonus and flexible work schedules. Box 1.4 outlines the flexible schedules offered by companies like IBM.

**Maintenance** The maintenance function aims at retaining efficient and experienced employees in the organization. This calls for creative HR practices. In this regard, HR managers are responsible for offering a wide range of HR programmes covering occupational safety, health promotion and physical fitness, canteen facilities, recreation activities, transportation programmes, employee suggestion schemes, career counselling and growth for creating a positive work environment. Box 1.5 highlights one of the HR policies of Infosys.

**Integration** It consists mainly of industrial relations and aims at ensuring good relations between the management and the employees. HR managers have to implement industrial relations programmes that would ensure ethical and fair treatment in disciplinary action, grievance redressal, and career management processes. They should also counsel the employees and the management to prevent and, when necessary, resolve disputes over labour agreements or other labour relation issues.

It is to be understood here that the functions of HRM can vary widely from one organization to another, depending upon its nature, size, and objectives. For instance, a smaller organization may follow a shorter HRM process with a greater emphasis on functions like

#### Box 1.4

#### Mobile Working at IBM

One of the ways companies retain their employees is by offering them flexible work schedules and the option of working from home. A company that has consistently been appreciated for this benefit is IBM. Some of IBM's workplace flexibility programmes include individualized daily work schedules, flexible (or compressed) work-weeks, regular part-time, remote/mobile work options and mobility allowances. Employees are offered

support services so that even if they work from home, they stay connected. Be it downloading files, checking and replying to mail, or linking to the electronic library, IBM workers can dial into the IBM network and get connected. People can opt to work at home in case of personal emergencies as well. In India, IBM has offered mobile work options since 2003.

*Adapted from: [www.ibm.com/innovation/in/hr](http://www.ibm.com/innovation/in/hr).*

**Box  
1.5****HR and the Well-being of Employees**

One of the HR policies really appreciated by employees is that pertaining to their families' health and safety. Increasingly, companies are providing life insurance and accident coverage that will help reassure their employees and give them a sense of security. Infosys is a good example. Starting from 2002, it has a tie-up with the Life Insurance Corporation of India that provides adequate coverage for all its employees. The coverage

levels have substantially risen over the years, in tune with the overall Infosys social security and employee benefit initiatives. In 2008, the coverage amount was a record-breaking Rs. 240,000 million. As Mohandas Pai, the HR head of Infosys, said, "Infosys believes in providing adequate life, accident and medical insurance cover to its employees in a holistic measure."

*Adapted from: www.rediffmail.com.*

procurement and compensation and little or no priority for activities like training and development and industrial relations maintenance. On the contrary, large organizations may pursue a longer and more comprehensive HRM process to meet the requirements of both the management and the workforce. Box 1.6 shows the HR statements of select companies.

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

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

**Box  
1.6****Relevance of HR Statements**

HR statements of a company are viewed by the present employees and the prospective candidates for future jobs in that company largely as an indication of the management's preference, desire and attitude vis-à-vis its human resources. The HR statements of BHEL and Voltas have been presented as instances of this.

### **Human Resources at BHEL**

#### **HR Purpose**

Development of a committed and motivated workforce setting new benchmarks in terms of productivity, quality and responsiveness.

#### **HR Process**

Every employee is given an equal opportunity to develop himself and grow in terms of his career through continuous training and retraining, career planning, a positive work culture, and participative style of management.

### **Human Resources at Voltas**

#### **HR Philosophy**

The HR philosophy of Voltas is based on its strong belief that the well-being of the company and that of its people are interdependent; and that the company's most valuable assets are its people.

#### **HR Policies**

- To employ the most competent on the basis of merit
- To ensure that every employee is treated with dignity and respect, and in a fair, consistent, and equitable manner
- To create a stimulating, enabling and supportive work atmosphere
- To aid and encourage employees in realizing their full potential

*Adapted from: www.bhel.com and www.voltas.com.*

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

### **Similarities between HRM and PM**

The basic elements common to HRM and PM are as follows:

**Business Strategy** Both form the basis for the evolution of HR and PM strategy.

**Matching People** Choosing the right people for the right job and developing them to achieve their maximum level of competence remain the priority of both HRM and PM.

**Prominence of Line Authority** HRM, similar to PM, recognizes that the primary responsibility for managing people stays with line managers.

**Identical Core Elements** Techniques like selection, training, development, compensation and performance management are common to both HRM and PM.

**Emphasis on Communication and Participation** HRM and PM provide equal importance to the communication process and workers' participation in decision making.

We shall now discuss the differences between these two concepts.

### **Differences between HRM and PM**

The differences between HRM and PM have been given in detail in Table 1.2.

### **HRM as a Profession**

Not long ago, personnel managers were often assigned the "people functions" in an organization because they did not have the talents to work in production, finance, marketing or other important areas.<sup>11</sup> The ability to get along with people was considered as the major qualification for appointing a person as a personnel executive. Companies often staffed the HR department with managers who did not have professional training or college education.

However, HRM functions now occupy a much more important position in most organizations. Many universities, colleges and business schools offer a variety of HRM courses. Slowly but surely, HRM is emerging as a profession. Let us now discuss how HRM fares as a profession in fulfilling the following criteria.

#### **An Organized Body of Knowledge**

HRM now has well-defined principles, concepts, theories and practices. There has been a tremendous increase in the knowledge about HRM in recent years. An HR manager cannot perform his job effectively without proficiency in these concepts and principles.

#### **Formal Education and Training**

Several schools of thought and institutes of management have emerged to provide formalized education and training to the aspirants in HRM. For instance, the National Institute of Personnel Management (NIPM) at Kolkata is one such institute with several regional councils and a large number of members. It endeavours to promote professionalism amongst its members.

**Table 1.2 Differences between HRM and PM**

1. HRM is proactive in nature. It is not only concerned with the present organizational conditions but foresees future necessities and then acts appropriately.	PM is mainly reactive in nature. It satisfies itself by ensuring peaceful labour-management relations in the present.
2. HRM, as a resource-centred activity, focuses more on the managerial aspects, in terms of delegating the responsibility of HRM to line authority and management development.	PM, which is basically employee-centred, aims at hiring, training, compensating and maintaining the existing workforce of the organization.
3. HRM emphasizes open-ended contracts, which can be modified depending upon the demands of the business. Management assumes the responsibility to motivate the employees and constantly inspires performance based on team spirit.	PM emphasizes the strict observance of defined rules, procedures and contracts that govern the relationship between the workforce and the management; for example, collective bargaining and employment contracts.
4. HRM is based on the principle that better performance itself is a cause of job satisfaction and morale.	PM considers job satisfaction and morale as a source of better performance. It works on the foundation that a contented worker is a productive worker.
5. HRM seeks to develop the competencies of the employees on a sustained basis. Skill formation and development are recognized as the main characteristics of HRM.	PM is a regular, status quo-based administrative function: Employees get uniform rewards based on job evaluation and job worth.
6. HRM emphasizes autonomous work groups, challenging jobs, and creativity for motivating the people. The management assumes the responsibility to motivate the employees and continuously encourage the performance based on unity of goals.	PM emphasizes monetary rewards and conventional job designs like job simplification and rotation to encourage people to improve their performance.

### Existence of Association

The Medical Council of India acts as a regulatory body for medical professionals. Similarly, the NIPM prescribes a code of conduct for personnel managers. The Government of India has established a separate ministry to regulate the activities of HRM institutions.

### Existence of an Ethical Code

Every member of a profession should observe a code of ethics prescribed by his regulatory authority. As far as HRM is concerned, the NIPM sets a code of conduct for its members. The code lays down the duties, ethical norms, dos and don'ts for the members.

### Charging of Fees

The main obligation of a professional is to serve the community. He must not think in terms of personal gain. He must not accept or offer any improper gratification in any form or manner. HR managers are also expected to uphold the honour, integrity and dignity of the profession.

Though these developments clearly bring the HRM close to be called a profession, it cannot qualify as one in the full-fledged sense of the term. For, unlike chartered accountants and medical practitioners, an HR professional does not require any definite academic qualification to become one. Further, there is no statutory professional body available to regulate the entry of people into the profession. The NIPM has no formal authority to regulate the entry of its members. In the words of Guest and Horwood:

*It is tempting but wrong to view personnel managers as homogeneous. Their different backgrounds and fields of operation raise doubts about the value of a professional model and of any attempt to view personnel problems as amenable to solution through a primary focus on professionalism.<sup>12</sup>*

Still, more and more people are taking an interest in HRM and viewing this as a career. Given this scenario, let us look at the qualities of an HR manager.

## **Qualities of an HR Manager**

HR managers have to perform several roles to discharge their duties and responsibilities. For instance, they have to act as recruiters, placement specialists, training and development specialists, employee welfare experts, employee benefits' specialists, compensation and job analysis specialists, labour relations experts and human resources information system specialists, apart from being good counsellors. For instance, Armstrong<sup>13</sup> points out that HR practitioners have to play the roles of business partners, strategists, interventionists, innovators, internal consultants, monitors and volunteers (proactive role).

The successful performance of the diverse HR tasks would require a multi-disciplinary knowledge for the HR managers. It would be good for them to have a working knowledge in the fields of business administration, law, behavioural sciences, industrial psychology, sociology, political science, economics, statistics, engineering, finance and computers. Apart from these, they would require the following personal and job-related qualities and skills to become effective performers.

### **Knowledge**

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

### **Intelligence**

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

### **Communication Skills**

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

### **Objectivity and Fairness**

The HR profession is unique. The HR manager has to serve the interest of both the management and the employees. Hence, he should observe strict impartiality and honesty in all his transactions. He is required to act only on the basis of relevant facts and information. Moreover, he has a moral responsibility to protect the rights and privileges of the relatively weak workforce.

### **Leadership and Motivational Qualities**

To lead is to influence. The HR manager should possess the ability to influence the employees towards the achievement of goals and targets. He should also be a good motivator. He must have the necessary skills to constantly motivate the employees to strive for better performance.

### **Emotional Maturity**

It is often difficult to predict the responses of human beings. They usually behave differently in different situations. Hence, it is essential for the HR manager to have emotional maturity and tolerance in dealing with the employees. He must show parental care in attending to their needs. He should not have any ill-feelings towards any employee on the basis of his past behaviour. He should always be rational and not emotional in his approach.

### **Empathy**

Empathy pertains to looking at events or situations from the others' point of view. The HR manager should learn to view the issues affecting the employees from their perspective too. He should not only rely on his formal authority in dealing with the employees' grievances but use his informal relationship as well in settling them. He should honour others' opinions, sentiments, rights, beliefs and values.

In addition to these qualities, the HR manager should have a good character, personality, physical strength, and stamina for effectively discharging his duties. Having seen the notable qualities of the HR managers, we shall now discuss the differences in their duties and responsibilities as line authorities and staff advisors.

## **Line Versus Staff Authority of HRM**

Staffing, which is one of the managerial functions, is generally performed by all managers. This is because the managers are normally involved in the process of acquiring, training and assessing the employees of their own department. In fact, line managers handle all aspects of HR activities in small organizations, while in large organizations, the top management normally establishes an exclusive HR department to develop and manage HR programmes and policies. The line managers in these firms seek the advice of the HR department in handling labour-related matters. Gary Dessler classified the line managers' responsibilities for effective HRM under the following general headings:<sup>14</sup>

1. Placing the right person on the right job
2. Starting new employees on the organization (orientation)
3. Training the employees for jobs that are new to them

4. Improving the job performance of each person
5. Gaining creative cooperation and developing smooth working relationships
6. Interpreting the policies and procedures of the company
7. Controlling labour costs
8. Developing the abilities of each person
9. Creating and maintaining the department morale
10. Protecting the employees' health and physical condition

When an organization has separate functional HR departments, the HR managers have to perform the task of line managers for their own department and act as staff advisors for line managers of other departments. We shall first see the meaning of the important terms concerned with line versus staff authority before discussing the role of HR managers in these capacities.

**Authority** The term refers to the right to influence the activities of the subordinates or take decisions concerning them and to issue instructions or orders pertaining to their work.

**Line Manager** Line managers are those who are empowered to direct the work of the people assigned to them. Further, line managers are directly responsible for accomplishing the departmental goals and corporate objectives. Examples of line managers are production manager, purchase manager and sales manager.

**Staff Advisor** Staff advisors are those who play an important role in advising and assisting the line managers in accomplishing the basic goals. Theoretically, the suggestions given by the staff advisor to the line managers may or may not be accepted by the latter.

Figure 1.3 shows the line and staff responsibilities of the HR managers.

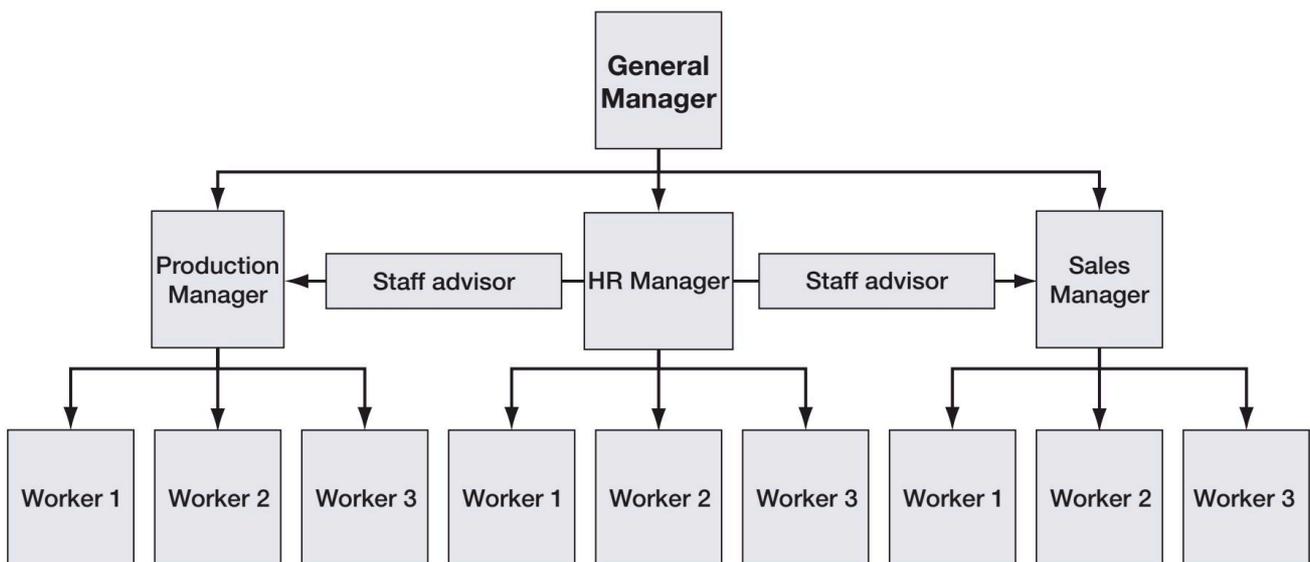


Figure 1.3

**Line-Staff Responsibilities of HR managers**

### **The Role of the HR Manager as a Line Authority**

The HR managers apply their line authority within the HR departments. In other words, the HR managers direct the activities of the people in their own department towards the accomplishment of specified goals. These managers cannot exert line authority outside their department.

### **The Role of the HR Manager as a Staff Advisor**

In their capacity as staff advisors, the HR managers counsel the line managers on matters concerning labour issues in their respective departments. They assist line authorities in hiring, training, appraising, awarding, counselling and terminating the employees. Whenever industrial relations are affected by disputes, grievances and indiscipline, HR managers are called in to play an important role in handling those grievances and in harmonizing the labour relations.

HR managers assist in HR-strategy design and execution by helping the top management take a closer look at the personnel aspects of the organizational activities. The HR department is also responsible for various incentive schemes and benefit programmes. Further, the HR managers educate the line managers about the right ways to treat the employees, including listening to their problems and understanding them, settling their grievances, and making them feel important in the organization.

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

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

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

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

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

expectations of these new-generation employees. They should also be prepared to handle the emerging work culture, which keeps employees more focused on their individual career prospects.

Similarly, due to rapid social transformation, an enhanced access to education and increased labour mobility, the workforce profile of the country has changed dramatically and organizations now represent several heterogeneous groups. For instance, the proportion of women, religious minorities, physically challenged and socially backward people in the workforce has increased dramatically. This is a direct challenge for the HR managers as they now have to deal with culturally and racially diverse work groups. Many firms are now compelled to initiate new gender-specific and target-based HR policies to serve the interests of different sections of the employees. Box 1.7 outlines the diversity at IBM.

### Widening Scope of HR Activities

Human resources activities are getting integrated at the global level. Globalization and deregulations have deeply affected the functioning of traditional HRM. Organizations, in their pursuit of new markets and greater cost-effectiveness, extend their sales, production facilities, and supporting services to new destinations in several countries around the world. HR managers must have adequate dynamism and action plans to help these organizations successfully integrate their global HR operations. They must also ensure effective coordination amongst and control over the labour forces working in different countries.

### Greater Emphasis on HRIS

The organizations of the future will be large due to world-wide mergers and acquisitions. The sheer size of an organization may compel the HR department to computerize its HR operations like recruitment, training, appraising and pay-roll preparations. Thus, large companies may require an integrated Human Resource Information System (HRIS) for effectively coordinating their different HR operations. HRIS actually means “interrelated components working together to collect, process, store and disseminate information to support decision making, coordination, control, analysis and visualization of an organization’s

**Box  
1.7**

#### Diversity Celebrations: An Innovative HR Programme

Differences in race, gender, geographic origin, culture, lifestyle, age, disability, economic status, marital status, and religion make employees an assorted workforce. This situation requires HR managers to create a business environment that recognizes and leverages the individual differences amongst employees and puts in place target-specific HR practices to attract, retain and motivate the dynamic and heterogeneous workforce.

The success of IBM’s HR policies meant for special categories such as women and the differently disabled is worth mentioning here. IBM recognized the variety

in its workforce and made a commitment to provide an equal workplace to individuals who are differently able and need special care. In this regard, IBM organizes several diversity celebrations such as the International Women’s Day, Take Our Kids to Work Day, the Women’s Leadership Conference and the World Disability Day. In addition, it has launched two new child-care centres, a home-care project and Exploring Interests in Technology and Engineering (EXITE) camps for middle-school girls to make a difference in the world through mathematics, science and technology.

*Adapted from:* [www.ibm.com./innovation/in/HR](http://www.ibm.com./innovation/in/HR).

**Box  
1.8**

### Stemming Skill Shortfall

One of the toughest challenges facing the organized sector today is the availability of skilled labour force. HR people are worried about the overall skill scenario confronting the organized sector. For instance, over the next 10 years, 30 per cent of the present work force will retire. In the service sector alone, a quarter of the million people who work for the financial services sector will retire over the next 5 years. This problem is more acute amongst the information technology companies as most of the companies in this sector are on a hiring spree to support their ambitious growth plans. Consequently, organizations are fine tuning their HR programmes to meet the challenges arising out of skill shortfalls. The HR plans of Infosys to surmount these problems deserve to be mentioned.

As part of its HR strategy, Infosys organizes the “Campus Connect” programme to improve the industry-readiness of students while they pursue a regular education. It has partnered with 250 colleges in India and four universities in China, and helped 188 faculty members with specialized courses. Further, to ensure availability of skills in line with their needs, it makes sure that the new employees undergo training for about 15 weeks before being deployed on engagements. To upgrade the skills of its staff across the board, it offers “competency certification programme,” which is aimed at certifying its employees in various industry domains, technologies and project management processes. The certifications are mandatory for the future growth of employees.

*Adapted from: [www.rediff.com/money/2006/jun/22infy.htm](http://www.rediff.com/money/2006/jun/22infy.htm).*

HRM activities.”<sup>15</sup> Future managers should be familiar with HRIS operations. HRIS can help an organization in several ways. For instance, HRIS can relieve HR managers from routine activities as the system takes over the task of updating the employee information. It can also help the HR department produce a variety of reports in a short span.

### Change in Labour Market Conditions

The increased industrialization of the country has thrown up many challenges for HR managers. Uneven economic development has resulted in the large-scale unemployment of unskilled and under-skilled persons on one side and a severe shortage of competent people on the other. This dichotomy in labour may compel HR managers to reduce their focus on the short-term needs of the organization and to concentrate more on fulfilling the long-term capability requirements such as skill development and knowledge formation amongst its existing workforce. Box 1.8 shows the skill development efforts at Infosys.

### Increasing Importance of High Performance Work Systems (HPWS)

Globalization is bringing about a tremendous change in the size, structure, composition, and style of functioning of organizations so as to meet an intensified global competition. In fact, more globalization means more competition for a firm. This in turn puts increased pressure on an organization to improve its employees’ productivity. This calls for the adoption of effective HR practices by HR managers. In this regard, the HR management needs to focus on evolving an integrated set of effective HR policies and practices that produces superior employee performance. Thus, HR managers, with the help of dynamic HR policies, should develop HPWS that maximizes the competencies, commitment and abilities of the firm’s employees.<sup>16</sup> Box 1.9 outlines the elements of HPWS.

**Box  
1.9****Elements of HPWS**

In increasing the number of instances, companies are able to attain great successes by establishing HPWS within their organizations. HPWS usually include elements like an emphasis on high-quality work, job security, careful selection process, comprehensive training, decentralized decision making, reduced status difference between superiors and subordinates, information sharing, pay-for-performance, dynamic leadership, inspirational motivation, and measurement of management practices.

Tata Business Support Services is one of the best examples of developing and maintaining a successful

HPWS. The elements included in the Tata Business Support Services' HPWS are multiple recruitment methods to source best talents at all levels, high-performance orientation and performance-linked rewards, continuous learning and development opportunities for employees, continuous employee engagement initiatives, attention on retention and not on attrition, and, lastly, ensuring employees' strict adherence to the Tata code of conduct.

*Adapted from:* [www.tata-bss.com/people2.htm](http://www.tata-bss.com/people2.htm).

## **Growing Need for Measurement Tools to Evaluate HR Programmes**

The inherent weakness of HRM is the absence of reliable and effective yardsticks for measuring the performance of HR programmes. The top management expects HR managers to express their plans and performance in measurable terms. Thus, there is an urgent need for HR managers to provide concrete and quantified evidence that their department is contributing in a significant and constructive way to the accomplishment of organizational goals and objectives. HR managers' focus in the future will be on the development and introduction of reliable and accurate HR tools to measure the efficiency of HR functions.

A prudent understanding and efficient management of these challenges are pre-requisites if HRM is to add considerable value, show business results, enact professionalism, and reveal fresh competencies in the future.

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## **Summary**

1. Human resources refer to the knowledge, education, skills, training and proficiency of the members of an organization.
2. HRM is concerned with the policies and practices that ensure the best use of the human resources to fulfil the organizational and individual goals.
3. The primary objective of HRM is to take care of the work life of employees even while ensuring their best possible co-operation for achieving the organizational goals and objectives.
4. The personnel aspects of management run through the entire organization. All managers are, in a way, HR managers as they get involved in HR activities such as choosing, training, inducting and compensating employees.
5. The functions of HRM are classified into two categories. These are managerial functions consisting of planning, organizing, staffing, directing and controlling; and operative functions consisting of procurement, development, compensation, maintenance and integration.
6. PM, an employee-centred activity, is mainly reactive in nature whereas HRM, a resource-centred activity, is proactive.
7. Although HRM is close to be called a profession, it cannot qualify as a full-fledged profession.
8. HR managers perform the task of line managers for their own department and act as staff advisors for line managers of other departments.
9. HR managers need to be familiar with strategic planning, competitive pressures, international HR activities, HRIS, changing characteristics of the labour market, HPWS and workforce diversity.

## Review Questions

### Essay-type questions

1. Classify and explain the managerial functions of HRM.
2. Evaluate the operative functions of HRM with examples.
3. "HRM is a staff function but a line responsibility." Comment.
4. "HRM is a basic responsibility of every manager." Elucidate.
5. "HRM seeks to achieve personal and social goals." Outline the major functions of HRM.
6. "HR function plays a vital role in the whole scheme of management of an industrial organization." Discuss.
7. Evaluate the future role of HRM in India.
8. "HRM involves all management decisions and practices that directly affect or influence the people who work for the organization." Discuss.
9. Discuss the importance of HRM in the contemporary business environment with special reference to India.
10. Briefly discuss the implications of change in the profile of people, technology and environment on managing people in organizations. Suggest measures to make HR management in India more effective.
11. "HRM is a professional work." Do you agree?
12. State the qualities required to be a successful HR manager.
13. Explain the importance of the HRM function. Can it be outsourced?
14. "As a result of globalization and liberalization, HRM has acquired strategic importance in organizations." Discuss.
15. What are the recent trends in management of human resources? Also explain the status of HRM in Indian industry with examples.
16. In the changing corporate scenario, what place is accorded to HRM as a function? How does it affect the effectiveness of function as such? Analyse.

## Notes

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# Job Analysis and Design

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 Understand the features and purpose of a job analysis process
- 2 List the techniques of data collection
- 3 Differentiate between job description and specification
- 4 List the role of the environment in influencing job design
- 5 Enumerate the critical components of a job design
- 6 List the recent trends in a job design

Dr Reddy's Laboratories is an India-based pharmaceutical company with a presence in more than 100 countries and six continents. The company develops, manufactures and markets an extensive variety of pharmaceutical goods in India and abroad. Dr Reddy's is the first Asian pharmaceutical company, besides Japan, to get listed on the New York Stock Exchange. The company has more than 10,000 employees, comprising 45 nationalities, on its staff. It has won several awards for its excellent HR policies and practices. For instance, the Asia-Pacific HR Congress honoured it with the Global HR Excellence Awards 2008-09 for its outstanding human resource practices. Similarly, it has won the prestigious *The Economic Times* Best Workplaces 2008 award for the biotech/pharma industry category.

The unique features of the HR practices of Dr Reddy's are its emphasis on accelerated career growth for high performers, performance

enhancement and coaching tools (PERFECT), periodic organization-climate surveys, 360°- feedback survey, and the creation of a learning organization. Besides, the company has developed comprehensive job analysis reports for all the job titles in the organization and uses them extensively for all its HR activities, including recruitment and selection, training and development, compensation management, and performance evaluation. For instance, during recruitment, the company provides comprehensive information about each job under headings such as the position title, reporting authorities, location, academic background and experience, job responsibilities, and key personal attributes. Job analysis forms the basis for this information, which enables prospective candidates to make an informed decision about their response to the job advertisements. Thus, job analysis and design facilitates better management of human resources and we will look into their significance and applications in this chapter.

## Introduction

Job analysis is an essential prerequisite for the effective management of the human resources of an organization. It is the process of gathering relevant information about a job. It actually specifies the tasks involved in a job and the factors that influence the performance of that job. As a process, it is capable of producing results with great practical relevance for human resource management. Job analysis has applications in almost all the HR activities of an organization. It acts as the basis for decisions involving human resource planning, recruitment and selection, training and development, compensation fixation, job evaluation, performance evaluation, career management, and health and safety of employees. In reality, the job analysis process involves ascertaining what people do and understanding why and how they do it. This enables organizations not only in identifying the problems but also in developing their solutions. As such, the primary purpose of a job analysis is to provide solutions to virtually all employee-oriented problems in an organization.

Due to swift changes in external environmental factors like technology, labour-market conditions and competition, the characteristics and requirements of jobs in the organizations often undergo changes. In such an environment, it becomes necessary for an organization to conduct a job analysis to know the impact of the changes on the requirements and nature of the jobs. Thus, a job analysis helps the organization in assessing how environmental challenges affect the individual jobs. Of course, the purpose of a job analysis is multi-dimensional in nature and it involves studying different aspects of a job. Generally, it deals with (i) realities, (ii) perceptions, (iii) standards, and (iv) future strategies of a job. For instance, it studies the realities of a job by finding out what employees actually do in their position. It studies the perceptions by ascertaining how employees view their jobs and believe what they do in their jobs. Similarly, it studies standards by checking with the employees what should be done in their jobs. And finally, it relates with the future strategies by ascertaining the future potential of the employees in their jobs.

The job analysis process is capable of generating a wealth of information for an organization. This information is usually classified into three categories: (i) job content, (ii) job context and (iii) job holders' requirements.<sup>1</sup> Among these, job content refers to the actual activities performed in the job being analyzed. Job context refers to the conditions in which the job is done. Job holders' requirements refer to the workers' eligibility requirements for doing a job. Conventionally, the information relating to the content and context of the jobs are included in a job description document whereas the information about the job holders' eligibility like the necessary knowledge, skills, experience and attributes is included in a job specification document. Box 2.1 shows how the term *job analysis* has been defined by different management experts.

We may define job analysis as a process of gathering relevant information about various aspects of a job, including its content, context and the job performer's skill requirements.

## Features of Job Analysis

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

- Job analysis is a process of gathering relevant information about various aspects of a job and is concerned with the identification of tasks required to be performed as part of it.

Box  
2.1

## Definitions

“Job analysis involves gathering data about observable job behaviors, and delineating the knowledge, skills, abilities, and other characteristics needed to perform the job.”<sup>2</sup>

—R. J. Harvey

“Job analysis is the process by which data in regard to each job is systematically observed and noted. It provides information about the nature of job and the characteristics or qualifications that are desirable in the job holders.”<sup>3</sup>

—Arun Monappa and Mirza S. Saiyadain

“Job analysis is the systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization.”<sup>4</sup>

—R. Wayne Mondy et al.

“Job analysis covers a host of activities, all of which are directed toward discovering, understanding, and describing what people do at work.”<sup>5</sup>

—M. T. Brannick and E. L. Levine

“Job analysis is the process of collecting, analyzing, and setting out information about the content of jobs in order to provide the basis for a job description and data for the recruitment, training, job evaluation and performance management.”<sup>6</sup>

—Michael Armstrong

- It approaches the task of defining the role, context, conditions, human behaviour, performance standards, and responsibilities of a job systematically.
- It helps in establishing the job's worth to an organization. In other words, it measures the value and contribution of a job to the growth of the organization.
- It establishes job relatedness, which is a crucial input for HR decisions involving recruitment, selection, compensations, training, health and safety.
- It assists in the resource management and strategy formulation process of the organization to help it achieve its business goals and objectives effectively.
- It helps in developing a job profile for each job and acts as the basis for developing job description and specification statements.
- It helps in identifying the appropriate job for each employee so that the skills and knowledge of these employees are utilized for the growth of the organization effectively.
- It facilitates the process of understanding the impact of environmental changes on individual jobs.
- It assists the organization in identifying and removing the unnecessary skills and other requirements for a job. This helps in simplifying the eligibility for the job and also in ensuring equal opportunity for all in employment.
- It enables the organization to attempt job improvements through job reengineering and job enlargement to provide enhanced motivation and satisfaction for employees.

### Important Terms in Job Analysis

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

## **Job**

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

## **Task**

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

## **Duty**

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

## **Position**

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

## **Occupation**

It is something that engages the time, thought and attention of an employee. It refers to the common categories of jobs. These jobs are usually similar in nature with common job features.

## **Career**

It broadly refers to an employee's progression in his or her work life. It indicates the chronological sequence of positions occupied by an individual in his or her profession.

## **Goals of Job Analysis**

The initial objective of a job analysis is to decide whether the job under study is really required for the organization. The remaining purposes of job analysis come into the picture only when it is confirmed that the continuation of the job is essential. Overall, a job analysis seeks to gather information about the job under two broad categories. These are (i) primary job requirements and (ii) job-related knowledge, skills and abilities (KSA) requirements. Under the primary job requirements category, a job analysis aims at gathering information relating to the context, conditions, duties and responsibilities of the job. With regard to the KSA category, job analysis gathers the necessary information for determining the extent of knowledge, skills and abilities required for a person to meet the job requirements

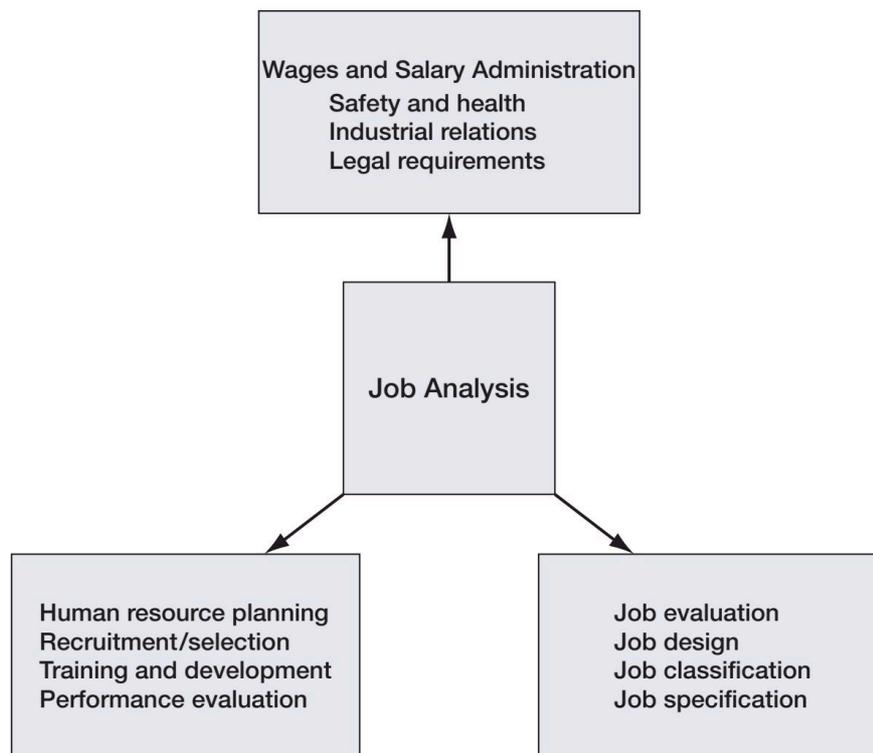


Figure 2.1

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### Uses of Job Analysis

completely and to perform the job successfully. This information, compiled through job analysis, is used for almost all HR-based decisions. The utilities of job analysis information in human resource management are illustrated in Figure 2.1. We shall now see how this information is used in various HR activities productively.

### Job Evaluation

Job evaluation is actually a system of ranking jobs in a firm on the basis of their relevant characteristics, duties and responsibilities. The primary objective of undertaking job evaluation is to measure the relative worth of the job to an organization. Understandably, an organization would like to determine the pay scale of a job on the basis of its comparative merit within the organization and its competitive merit in the labour market. Job analysis offers critical inputs for systematic job evaluation, which in turn enables an organization to offer a fair pay to its employees. Thus, job analysis helps in motivating the existing employees and also in attracting the best people to the firm.

### Job Design and Redesign

Job design is the process of bringing together different tasks to build a job. The process of designing a job is often influenced by job requirements, employee satisfaction, and organizational goals. A job is designed when it is introduced for the first time and redesigned when it is replaced with new jobs. When the job is redesigned to improve the efficiency of and the economy in the performance, it is called industrial engineering. On the contrary, if

it is redesigned to create a fit between the job and the efficiency levels of the employees, it is known as human engineering. In any case, organizations have been forced by the rapid changes in the environment to undertake job redesigning as often as possible. Now, job analysis forms the basis for any job designing and redesigning process.

### **Job Classification**

Job classification means grouping types of work on the basis of their similarity. The basis for such grouping could be the level of difficulty, authority, responsibility and accountability of a job and the job holder's behavioural requirements. The purpose of classifying the job is to enable the firm to determine the level of skills required for each group of jobs. As such, job classification enables the organization to identify a uniform procedure for selecting, training and compensating similar types of jobs. This is where job analysis presents the necessary information to the organization for proper job classification and grouping.

### **Job Description and Job Specification**

The last stage in the job analysis process is the preparation of two essential documents—job description and job specification. The written statement of the findings of job analysis is called a job description. It provides information about job title and alternate titles, duties, authorities, responsibilities, accountabilities, reporting authority, relationship with other jobs, working conditions, and job summary. Job specification, on the other hand, is a statement about the appropriate skills, knowledge, qualification and other characteristics required for the effective performance of the duties and responsibilities associated with the analysed job. Thus, job analysis forms the basis for developing both job description and job specification. (Job description and specification have been discussed in detail later in this chapter)

### **HR Planning**

HR planning is the process of forecasting the human resource requirements of a firm and their availability, both within and outside the organization, to execute future corporate strategies. The purpose of HR planning is to choose the right person for the right job at the right cost. It aims at linking human resource management with the goals, mission and visions of the organization. In fact, the HR plan determines the number and types of personnel required to perform the job effectively and to accomplish the goals successfully. Job analysis is the first step in the whole HR planning process. It enables an organization to create a fit between the demand for and supply of human resources by providing the necessary information about the job and the job holders.

### **Recruitment and Selection**

Once there is a job vacancy, an organization can conduct a job analysis to determine whether that vacancy should be filled up or not. If the findings of the job analysis do not support the continuation of that job in the organization, the particular vacancy need not be filled up. On the other hand, if the job continues to be necessary, the organization may proceed with the process of recruitment and selection. In this case, job description and job specification usually form the basis for the recruitment strategy and selection process. For instance, choosing between the internal and external sources of recruitment for filling up a job usually depends on the job description statement.

Similarly, job specification provides the basis for an objective assessment of the candidates in the selection procedure. It helps HR managers distinguish between the essential and the desirable requirements for a job. It also facilitates the process of identifying the criteria for determining the success or failure of a candidate in the selection process. If any selection is done without conducting a job analysis or on the basis of a poorly written job description, the organization may have to face serious problems at a later stage.<sup>7</sup>

### **Training and Development**

Job analysis provides crucial input to an organization while determining the training needs of its employees. Job description and specification can provide exact information about the levels of skills and knowledge required for a job. In the event of non-availability of people with the requisite skills at the end of the selection process, the organization can choose from the candidates available and train them to gain the necessary skills based on the job specification statement. Thus, job description and specification play an important role in determining the content, duration and method of training for a job. Job analysis also helps in determining the training needs of the employees holding different positions in the organizational hierarchy. By providing information about the future potential skills required for the job, job analysis also helps the organization in deciding the long-term development programmes for its managerial personnel.

### **Performance Evaluation**

Performance evaluation is the process of determining the performance efficiency of the employees of an organization. It requires setting of standards and evaluation criteria for each job before comparing them with the actual performance. Job analysis provides the required information about the duties, responsibilities and standards of the job. Apparently, the accuracy in the results of the performance evaluation is critical for different HR decisions involving pay fixation, promotion, disciplinary actions, grievance identification, and employee feedback. This accuracy and reliability of performance evaluation depends critically on the efficacy of the job analysis mechanism. Undoubtedly, an objective performance evaluation based on accurate criteria will protect the organization from charges of discrimination and victimization.

### **Wages and Salary Administration**

The compensation package should reflect the worth of a job to the organization exactly. Job analysis helps the organization in determining the relative worth of each job. The information available in the job description about an employee's duties and responsibilities, level of difficulties, skill requirements, work environment, and location of the job in organizational structure helps the firm in determining the proper compensation package for each job. The employees' perception of fair pay will, in turn, help the firm in achieving the desired level of motivation, attrition rate and job satisfaction.

### **Safety and Health**

Job analysis can provide exact information about the nature and type of work conditions essential for an accident-free work environment. It can also suggest the safety requirements for the job. Moreover, it might identify the physical hazards involved in the job and also the behaviour and conditions that can result in accidents and injuries. The information about

the need for safety training and safety apparatus can also be ascertained with the help of job analysis. Thus, the job analysis report becomes a valuable source for the health and safety management of an organization.

## Industrial Relations

Industrial relations can be defined as any form of dealing between employers and employees based on employment. It explains the relationship between the management and the employees within the organizational setting. Job analysis findings in the form of job description enhance the objectivity in decisions involving promotion, transfers, disciplinary action, compensation, and grievance handling. Thus, job analysis helps the organization in reducing the chances of friction with the unions and also in ensuring harmonious industrial relations. Job analysis information can also be useful for both the management and the unions in reaching decisions through collective bargaining process.

## Legal Requirements

The job description statement is a vital document for an organization in legally and morally justifying its hiring practices, promotion policies, terminations, disciplinary actions, and grievance redressal procedures. In fact, it is a legal necessity for an organization to keep a job description statement for each position in the organization. Besides, a firm can use job analysis to clear ambiguities in the minds of employees about the rights and duties of an employee in a job and thereby prevent a possible legal problem in the future over employment contract and other related issues. Table 2.1 shows the types of data required in job analysis.

## Job Analysis Process

Job analysis is the process of breaking down a specific job into parts and scrutinizing each of them to gather the necessary information. It requires a systematic and efficient examination of the tasks, duties, responsibilities and accountability of a job. As explained in Figure 2.2,

**Table 2.1 Types of Data Used in Job Analysis**

---

<b>1. Job duties</b>
<ul style="list-style-type: none"> <li>a. Daily duties (activities performed on a regular basis every day), periodic duties (activities performed at regular intervals, say a week or a month), and duties performed at irregular intervals</li> <li>b. Procedures used</li> <li>c. Personal responsibility</li> <li>d. Interface with other jobs</li> <li>e. Human behaviour required like the manner of acting or conducting oneself in the job</li> <li>f. Physical motions required</li> </ul>
<b>2. Machines, tools, equipment, and work aids used</b>
<ul style="list-style-type: none"> <li>a. Nature and types of machines and tools required</li> <li>b. Raw material required in job performance</li> <li>c. Finished goods or services produced</li> </ul>

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(Continued)

Table 2.1 (Continued)

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<b>3. Job performance requirements</b>
a. Standard performance levels
b. Actual work measurement technique required
c. Deviation and error levels allowed
<b>4. Job context</b>
a. Physical working environment and location required
b. Organizational and social environment required
c. Work schedule
d. Health and safety conditions required
e. Financial and non-financial incentives
<b>5. Personal requirements</b>
a. Competency required
b. Work-related experience required
c. Training and education levels required
d. Special aptitudes, physical characteristics and personality traits required

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*Adapted from:* R. Wayne Mondy, *Human Resource Management*, 11th ed. (Upper Saddle River, N.J.: Pearson Prentice Hall, 2008), p. 94

the process of job analysis involves the execution of a series of related steps. These steps are: (i) determining the purpose of job analysis, (ii) gathering background information about the job, (iii) choosing representative jobs for analysis, (iv) collecting relevant job information, (v) reviewing the information gathered, and (vi) the developing of job description and job specification.

### **Determining the Purpose of Job Analysis**

The first step in the job analysis process is the determination of the end use of the job analysis. True, job analysis has relevance for almost all HR activities of an organization. However, an organization may conduct a job analysis for a specific purpose like hiring the employees or determining their remuneration. Depending upon the purpose of the analysis, the organization may focus specifically on certain aspects of the job that are considered important. For instance, job analysis may emphasize more on identifying information relating to the physical hazards, job difficulties and work environment, when the job analysis is done to decide the safety measure for a job. In any case, the identification of the expected uses of the job analysis will enable the organization to determine the nature and types of data to be collected, the techniques to be adopted for data collection, and the focus of the analysis.

### **Gathering Background Information about the Job**

It is essential for an organization to review the background information about the job to know its relative importance in the organization. While doing so, the job analysis should focus on identifying information relating to all the important elements of the job. This information can be gathered with the help of organizational charts, process charts, and job classification. For instance, the information about the title and alternate title of each job, the relationship

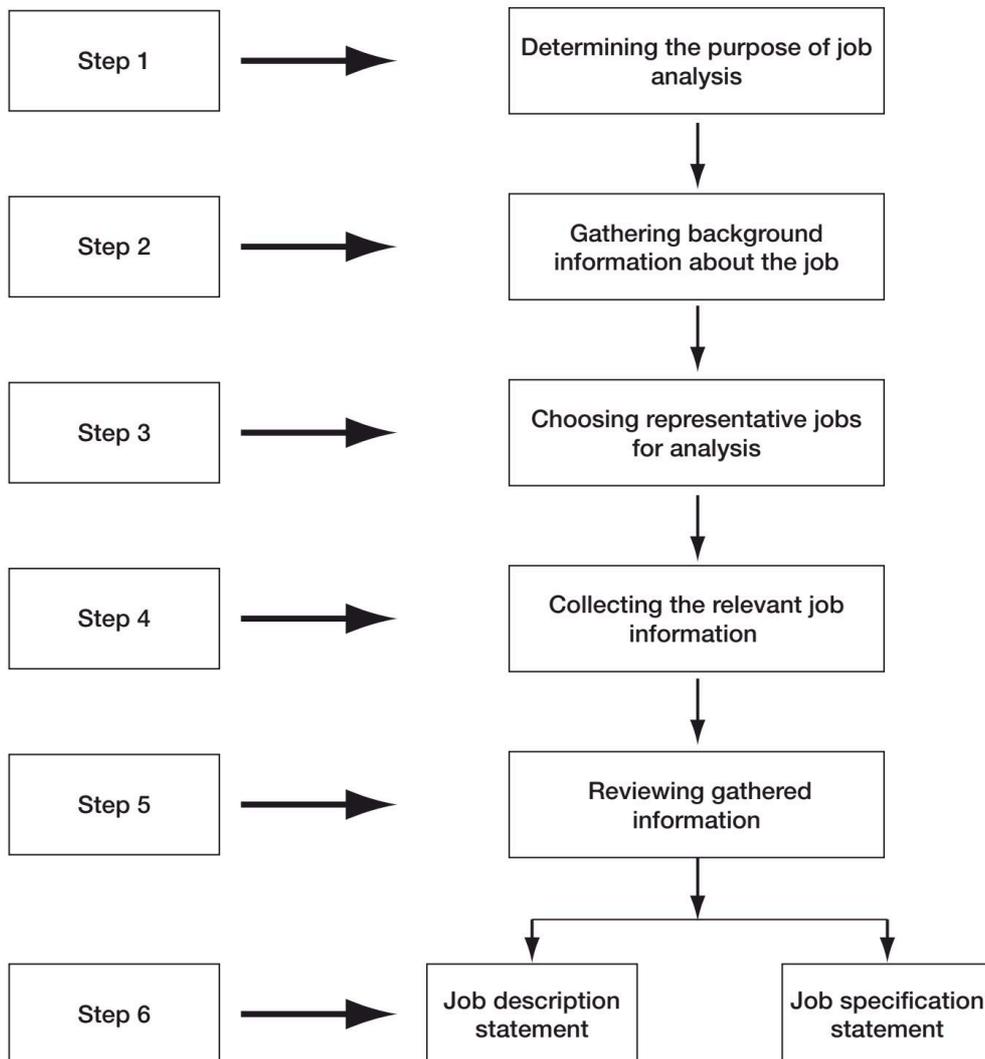


Figure 2.2

### Steps in the Job Analysis Process

among the different jobs, and the reporting authorities for each job can be identified with the help of the organizational chart. Similarly, the flow of activities involved in a job can be ascertained with the help of the process chart.

### Choosing Representative Jobs for Analysis

Often, organizations choose only a few jobs for analysis instead of analysing all of them. This is done because many jobs are similar in nature and have similar characteristics. Besides, organizations may find it time-consuming and costly to analyse all their jobs. As a result, it becomes essential for an organization to identify the representative jobs from a group of identical jobs.

### Collecting Relevant Job Information

In this step, information pertaining to various aspects of the job is collected. Specifically, the information about the duties, level of responsibility, authority, accountability, content

and context of the job, desired employee behaviour, critical knowledge, knowledge skills and abilities (KSA), and training requirements are gathered. These pieces of information can be gathered by contacting the present and previous employees of the job, the supervisors and the managers. Methods like structured or open-ended questionnaires, interviews, task inventories, checklists, and observation are used for data collection.

### **Reviewing the Information Gathered**

At this stage, the collected data is carefully analysed and then a job analysis report is prepared for the job being reviewed. Generally, the specific job holders and their immediate supervisors are included in such an analysis process. The opinion of the employee performing the job is ascertained to verify the correctness and completeness of the job analysis report. In case the employee or supervisor points out incompleteness or discrepancies in the report, supplementary information could be collected.

### **Developing a Job Description and Job Specification**

This is the final stage in the process of job analysis. The two essential documents of the firm, namely, the job description and job specification, are prepared on the basis of the job analysis report. A job description is a written statement containing information about the duties, responsibilities, accountabilities, working conditions and risks associated with the job. Briefly, it is a summary of the various features of a job.

A job specification is a statement that provides information from the job holder's perspective. It usually contains information about the eligibility conditions required for a job holder in terms of educational qualifications, experience, knowledge, skills, personal qualities, aptitude and the background required for getting the job done.

### **Techniques of Data Collection in Job Analysis**

No matter what the methodology adopted for data collection in job analysis, the focus should be on gathering information about the tasks associated with the job and the desired human behaviour at work. However, the characteristics of the job, the purpose of the job analysis, and the desired quality of information are the factors that usually influence the decisions involving the selection of technique for data collection. While choosing a specific method for gathering data, adequate care should be taken to ensure that the chosen method generates sufficient information about the major job requirements (MJR) and knowledge, skills, and ability (KSA) necessary for job performance.

Sometimes, it might become difficult for a job analyst (an expert in job analysis) to observe job-related behaviours that are abstract in nature. For example, if a job requires a high level of concentration for an efficient performance, it might be difficult to observe and record the concentration levels of the employee performing the job. In such a case, the job analyst must identify and record the related observable factors that influence the concentration levels. The same technique should be adopted to monitor other abstract behaviour like attitudes, thoughts, traits and other invisible attributes. Figure 2.3 indicates the different methods available within job analysis for data collection.

Data collection for job analysis is usually done at one or more levels. These levels are: (i) individual, (ii) group, (iii) organizational, and (iv) community. Among these, a specific level would be chosen, depending on the nature of job information required and the

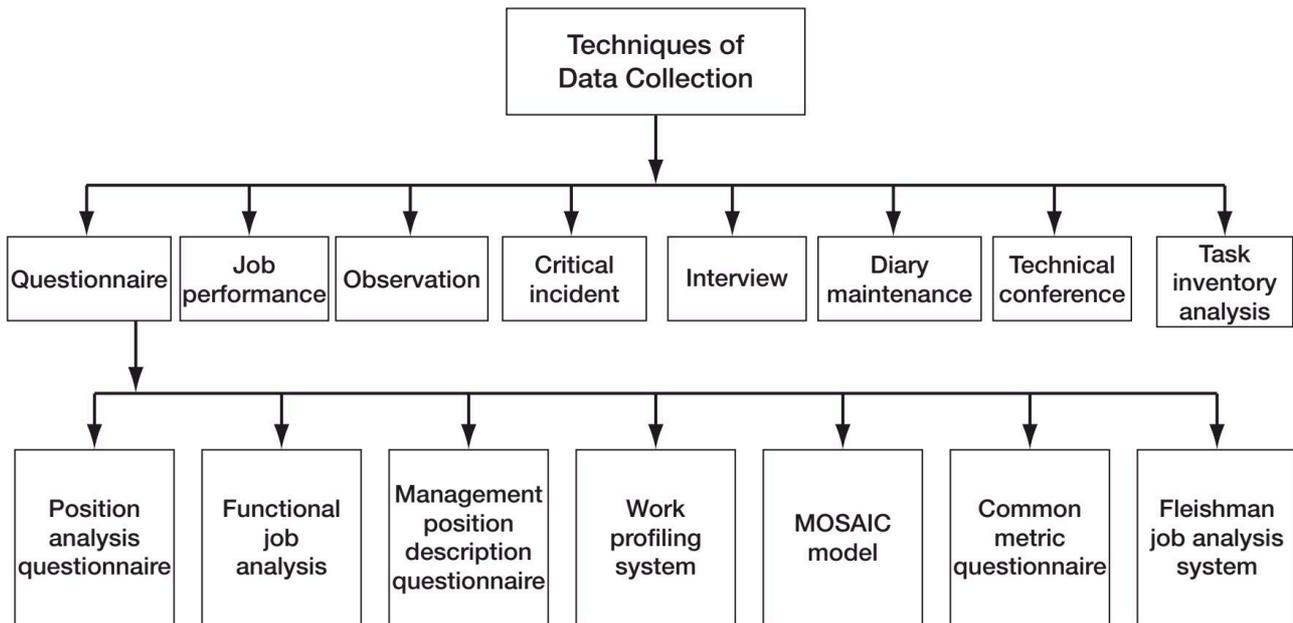


Figure 2.3

### Techniques of Data Collection

characteristics of the job. Further, the decision involving the selection of a specific technique is usually influenced by factors such as (i) the type of data to be collected, (ii) the methods of data collection, (iii) the source from which the data will be collected, and (iv) the manner of data analysis.<sup>8</sup> We shall now discuss the different methods of data collection.

### Questionnaire Method

In this method, the job analyst distributes a questionnaire to the employees who are part of the job analysis process. Once the questionnaire has been answered and returned by them, the job analyst analyses it thoroughly to gather job-related details like duties and responsibilities. Many organizations use structured questionnaires with identical and predetermined questions. Others adopt a structured checklist method. This method records the responses of the employees in a predetermined statement form. A few other organizations employ open-ended questionnaires to collect a detailed response for each job studied. The major advantage of a questionnaire is that it is the easiest and most efficient method to collect information from a large number of employees within a short period. However, its main disadvantage is the time and cost involved in its preparation.

We shall now see some of the popular types of questionnaire models available for data collection.

**Position Analysis Questionnaire (PAQ) Model** It identifies the job and human characteristics individually and then inter-relates them for the purposes of analysis. It is basically a structured questionnaire designed to gather quantifiable information about the different dimensions of the job like duties, responsibilities and accountabilities. It involves rating 194 job descriptors that explain the job-based elements included in the questionnaire. The items in the PAQ model are divided into six major categories: (1) information input, (2) mental processes, (3) work output, (4) relationships with others, (5) job context, and (6) other job

characteristics. Further, each job element is rated on six scales: the extent of use, importance, time, the possibility of occurrence, applicability, and a special code for certain jobs.

**Functional Job Analysis (FJA) Model** This is a worker-centred job analysis. It analyses the whole personality of the person on the job. It involves analysing job-related mathematical competency, verbal ability, and analytical and judgement skills. It evaluates how the employee relates himself with other employees, tasks and information.

**Management Position Description Questionnaire (MPDQ) Model** This method is ideal for the job analysis of managerial positions. In this method, managerial people identify the items that explain their responsibilities in the job. This method has a wide application in deciding the training requirements of the new entrants to the managerial cadre.

**Work Profiling System (WPS) Model** This is a system-based technique for gathering the necessary information relating to job analysis. This is a structured questionnaire method for collecting data about the personal qualities of the employees who usually perform technical and managerial jobs.

**Multipurpose Occupational Systems Analysis Inventory-Closed Ended Questionnaire (MOSAIC) Model** This instrument is useful for many jobs in the firm and gathers data from employees on a wide range of HR activities like recruitment, selection, compensation and performance evaluation. This questionnaire contains 151 items relating to job tasks and 22 items relating to competencies for analysis.

**Common Metric Questionnaire (CMQ) Model** This model is appropriate for exempt and non-exempt jobs. This instrument contains five sections under the following captions: "Background" with 41 general questions, "Contacts with People" (62), "Decision Making" (80), "Physical and Mechanical Activities" (53) and "Work Setting" (47).

**Fleishman Job Analysis System (FJAS) Model**<sup>9</sup> This model aims at measuring the degree of each of the essential ability required for performing the job effectively. This technique contains 52 physical, mental and psychological abilities.

### **Job Performance Method**

In this method, the job is performed by the job analyst himself to understand the different requirements for its execution. For instance, information like the nature of the job, the level of difficulties, the extent of concentration required, and the stress levels can be better understood by the job analyst through his own experience in the job. However, the major disadvantage of this method is that it may not be suitable for all kinds of job. Sensitive jobs performed in unsafe conditions can not be analysed through job performance method. Similarly, jobs requiring extensive training also have to be excluded from this method.

### **Observation Method**

In this method, the job analyst closely observes the performance of the employee in the job. He records the various tasks performed by the employee as part of his job. In fact, this method is ideal for gathering first-hand information relating to working conditions, the physical activities involved in the job, the normal time required to complete the job, and so on. It is ideal for manual jobs completed within a short period. It is usually free from the information

distortion that the job holders are very likely to make. However, this method may not be appropriate for jobs with high mental work. For instance, abstract factors like intelligence and thoughts process can not be measured through the observation method. Similarly, it is difficult to cover the entire job cycle under this method. But, observation method can vastly enhance the effectiveness of the job analysis if combined with other methods like interview or questionnaire. In observation method, the job analyst must ensure the following:

- The observation must be done for the work performed during the entire work cycle (time required to perform the entire job).
- The characteristics and needs of the job alone should be recorded and not the personal characteristics or behaviour of the employees not relevant to the job though observed at the time of analysis.
- The job analyst should not assume any role for himself in the job performance and should restrict himself to observation strictly.
- The observation must be done during the normal conditions only, i.e., the average employees' job behaviour and activities should be recorded and that too only during normal conditions.

### **Critical Incident Method (CIT)**

A critical incident is a significant event that takes place in the job environment and forces the employee to respond in the form of performance or behaviour. Critical incidents are considered as snapshots in the regular course of the job. The aim of the critical incident method is to gather relevant and behaviour-centred description of the job. On the basis of the past experience, the employee would analyse the incident given to him and subsequently present a report to the job analyst. The incident and the response are assessed on the basis of the actions, consequences, processes and results that emerged from the incident. The employee's behavioural response to the incident may or may not become part of the job, depending on how effectively it contributed to the performance.

The critical incident method can be well understood through the following example. A client repeatedly called the service manager to attend to his faulty air conditioner immediately. This happened on a day when all the technicians were either on leave or off to a distant place. Now, the behaviour of the manager in such a crisis, how he handled the situation, and the reaction of the client would be assessed. If the manager's behaviour resulted in effective handling of the situation to the satisfaction of the client, it would be considered for determining the job requirements. The major disadvantage of this method is the difficulty in converting the behavioural response into practical information for inclusion in the job description.

### **Interview Method**

In this method, the job analyst asks the employee questions about various dimensions of the job. He then contacts the employee's supervisors to get further information and also to verify the correctness of the information collected from the employee. For data collection, the analyst can use either a structured interview with a definite format and questions or an unstructured interview with no predetermined questions. However, a structured interview format will facilitate a better comparison of information gathered from different sources. On the other hand, the open-ended questions in an interview will enable the analyst to gather even unsolicited but relevant information.

While preparing the questions for interview, the analyst must ensure that the questions are uncomplicated and realistic in nature. He should also ensure that the questions conform to the level and language appropriate for the employees to be interviewed. Finally, the analyst must present these questions in a simple, clear and straightforward manner to the employees being interviewed. The analyst should provide clarifications about the questions, whenever the employees require them.

**Requirements for an Effective Job Analysis Interview** The following are the requirements for an effective interview process in a job analysis:

- Identifying the employees well versed with the job and calling them for a job analysis interview
- Conducting the interview in a private place far from the work spot with the least distraction
- Receiving the employee warmly and making him feel at ease during the interview
- Explaining the purpose of the interview to the employees clearly and providing them an overview of the interview procedure
- Encouraging them to clarify their doubts and misconceptions about the interview, before commencing the discussion about the job
- Following the pre-planned format; the questions may be asked one after another with enough time space for responses
- Reviewing the information gathered to check the completeness of the information before concluding the interview process

Care should be taken to ensure that the interview process does not suffer from the interviewer's bias and prejudice as this could vitiate the objective and process of the interview. Similarly, the analyst must ensure that there is no misrepresentation of facts on the part of the employees in their responses to the interview questions.

The major advantage of the interview method is that it can be used for any job, irrespective of its nature and hierarchical levels. However, its defect is that there is a scope for bias and subjectivity in the gathered information. Besides, interviewing is a time-consuming and costly process for an organization. Lastly, the interviewer may require sufficient training and experience for successfully conducting a job analysis interview.

### **Diary Maintenance Method**

In this method, the employee is asked to keep a record of all the activities performed by him as part of the job analysis process. He should record the information in a chronological order. The information may include the actual work undertaken and the time devoted to its completion. Diary maintenance will enable the employee to keep track of all the activities, including the insignificant ones. These insignificant activities may later become critical for job performance at the time of job analysis.

The major merit of this method is that it ensures continuous and better employee involvement in the job analysis process. Besides, the job analyst can be assured of getting even minute information about the job and thus ensuring completeness in data collection. The major weakness of this method is that the employee might not offer the cooperation necessary as it is a time-consuming and monotonous task for him. Being a continuous process, it requires a lot of commitment on the part of the employee to record the activities dutifully.

## Technical Conference Method

The essence of this method is that it relies on the technical soundness and experience of the supervisors for gathering relevant information about the job. Usually, a brainstorming session is organized among the supervisors to collect data about the various tasks associated with the job. In addition to the supervisors, the job holder and the representatives from the HR department could also participate in the discussion. In technical conferences, the participants discuss about the consequences of the inclusion or exclusion of each task in the job. The main advantage of this method is the availability of expert views in the job analysis process. The weaknesses of this method are: (i) it is a time consuming process; and (ii) it may elude consensus while making decisions.

## Task Inventory Analysis

This method focuses on identifying the list of tasks that form a part of the job. It also helps in preparing a brief description of each of these tasks. The basic aim of this method is to ascertain the KSA required for an effective performance of a job. The three steps in the task inventory analysis are interview, survey, and application of KSA matrix for creation of a task inventory. This method often utilizes the questionnaire method in order to gather the necessary information. In this method, each task is assessed by the employee, the supervisor and the job analyst. This method requires the participation of a large number of employees in constructing a task inventory in the organization.

The data collection techniques in job analysis are exhaustive and ever expanding. Besides the ones mentioned here, there are other methods available for data collection in job analysis. These are threshold traits analysis (TTA), guidelines oriented job analysis (GOJA), job element method (JEM), and the Iowa merit employment system (IMES).<sup>10</sup> However, the choice of a specific method or a combination of methods usually depends on the purpose of the analysis and the end users of the study. Since each method has its share of strengths and weaknesses, it is advisable to adopt multiple methods of job analysis for data collection.

## Job Description

Invariably, the process of job analysis ends with the preparation of two vital documents for the organization. These are job description and job specification. Job description is a written statement that describes all the aspects of a job. It aims at simplifying and standardizing the HR activities of an organization. It also enables the employees to understand clearly what is expected of them in their jobs. It contains both organizational information (structure, relationship, to name a few) and functional information relating to the job. But, the description of each task should be confined to a few sentences with the focus being on results. We shall now see a few relevant definitions of job description. These definitions are listed in Box 2.2.

A job description should be comprehensive in every aspect. It should provide information about job title, alternate title (if any), job position in the organizational structure, relationship with other jobs, and the tasks, duties, responsibilities and accountabilities associated with the job. In addition, it should offer information on working conditions, physical hazard, and special equipments required for task accomplishment. Further, information about the KSA requirements for the job and the minimum qualifications for eligibility should also be included. Finally, a job summary should also be included in the job description statement. We shall now see a brief description of the important components of a job description statement.

**Box  
2.2****Definitions**

“Job description is a document that specifies the tasks, duties, and responsibilities of the job and should certainly be relevant and accurate.”<sup>11</sup>

—Clyde E. Witt

“Job description is defined as a statement that specifies the purpose of a job, also mentions where the job fits in

the organization structure, the context within which the job holder functions, and the principal accountability of job holders, or the main tasks to be carried out by them.”<sup>12</sup>

—Michael Armstrong

### **Job Identification (Title)**

This section of the job description provides information about the job title, alternative title (if any), the code number of the job, the department, division and plant. An appropriate job title easily identifies the nature of the job and its position in the organization. This section also provides information about the location of the job in the organizational structure, the immediate supervisor’s title, for instance. A date column in the job identification indicates the date on which the job description was written. It also mentions the date on which it was last modified.

### **Job Summary**

This section provides a brief review of the content of the job. It mentions only the major functions of the job. It could also include information on the employer’s views on the role and importance of the job and its holders in an overall context. It contains a brief description of the objectives of the position, the results expected from the employee, and information on the degree of freedom available to each job holder.

### **Job Relationships**

This section indicates the employee’s relationship with other jobs located immediately above and below his job in the organizational structure. It also indicates the relationship of the job with the outsiders and higher authorities.

### **Job Duties and Responsibilities**

This section provides a comprehensive record of the duties and responsibilities associated with the job. Job description usually describes the major duties to be performed in a job.<sup>13</sup> Usually, it also mentions the rate of recurrence of each duty and responsibility and the average time required for performing each duty. In this section, action verbs like *performs*, *provides*, *sets up*, or *gathers* are used to begin the sentences that explain each duty associated with the job. It would be ideal to complete the description of the duties and responsibilities within a few sentences.

An organization finds the application for job description in almost all the HR activities of an organization. While an outdated and inaccurate job description can cause a whole lot of problems for the organization, a well-thought-out statement can be a real blueprint for the success of both the organization and the employee. Table 2.2 shows a pro forma job description statement.

**Table 2.2 A Pro Forma Job Description Statement**

<b>Job title</b>	(should reflect the duties and level of the job in the organization)
<b>Alternate title</b>	(if any)
<b>Job purpose</b>	(Briefly mention the general purpose of the job and also its role in objective accomplishment.)
<b>Code number</b>	(State the job identification number.)
<b>Job holder title</b>	(Specify the title of the holder of this job.)
<b>Job location</b>	(Mention the location of the job in the organizational structure.)
<b>Job type</b>	(Details like full-time/part-time should be provided.)
<b>Department/office</b>	(Mention the name of the department/unit/office where this job is located.)
<b>Reporting authority</b>	(Details of the job title to which this job should report need to be provided here.)
<b>Number of staff members reporting to this post</b>	(State the number and name of the job titles to be controlled by this job.)
<b>Job summary</b>	(A brief description about the job is to be provided here.)
<b>Job duties</b>	(State the day-to-day tasks to be performed as part of this job and also provide the objective of each of these tasks.)
<b>Authority limits</b>	(Provide details regarding the prior permission requirements for select decisions.)
<b>Working conditions required</b>	(Identify the nature of working condition required for the job.)
<b>Technical requirements</b>	(Mention whether any technical specification is required.)
<b>Skills required for the job</b>	(State the minimum skills and competencies required for an effective performance of the job.)
<b>Experience required for the job</b>	(Mention the minimum experience required for the performance of the job.)
<b>Special circumstances</b>	(Provide information about night shifts, overtime, extensive travelling)
<b>Special requirements</b>	(Specify the special tools and equipment requirements for the job.)

## Job Specification

A job specification can either be part of the job description or an independent statement.<sup>14</sup> It is actually a document that specifies the minimum acceptable qualities required for a person to complete the job satisfactorily. It usually contains the details of the employee's characteristics and the qualifications essential for the job. The job characteristics may include

physical, mental, social and behavioural characters of the job holders. The qualifications may include education, experience, skills and other background requirement for a job holder. Box 2.3 lists some of the important definitions of a job specification.

The important components of a job specification are listed as follows:

### **Education and Training**

A job specification states whether the job requires school- or college-level education. It mentions the technical or professional qualification requirements of the job holder. Finally, it specifies the minimum training requirements the job holder must have completed.

### **Work Experience**

A job specification prescribes the work experience requirements for the job holder and sometimes also the minimum experience for effective performance.

### **Skills and Competencies**

Under this component head, a job specification states the types of skills necessary for the satisfactory performance of the job. It indicates the nature of skills required like computer skills, communication skills, technical skills, and statistical skills.

### **Physical Strength and Stamina**

If the job involves physical activities like lifting or moving heavy objects, the job specification also mentions the physical requirements of the job holder.

### **Stress-Coping Ability**

When the nature of the job requires a lot of stress endurance and involves constant work pressure in the form of deadlines or night shifts, the stress management ability of the candidate should be mentioned.

### **Special Needs**

If the job requires any special skills, knowledge and ability like extensive travelling, working at odd hours, and good memory power, it should be clearly mentioned.

Quite understandably, a job specification has lots of application in HR activities like recruitment, selection, training, and compensation fixation. However, the major problem often seen in the preparation of a job specification is the job analyst's tendency to overstate the qualification and skills required for the job. This often results in the rejection of the

#### **Box 2.3**

#### **Definitions**

“Job specification is the process of inferring the human trait requirements presumed to be necessary for successful job performance.”<sup>15</sup>

—R. Harvey and M. Wilson

“Job specification sets out the education, qualification, training, personal attributes, and competencies a job holder requires to perform her or his job satisfactorily.”<sup>16</sup>

—Michael Armstrong

right candidate with sufficient qualification due to an overemphasis in the job specification.<sup>17</sup> This kind of overstatement often occurs in specifications involving education, the kind and length of job experience, and special skills like computer knowledge. Table 2.3 illustrates a pro forma job specification statement.

Box 2.4 Shows a typical job description and job specification statements for the job of a development editor in a textbook publishing company.

## Challenges Affecting the Effectiveness of Job Analysis

The job analysis process often faces challenges from both the employers and the employees due to their fear and ignorance of its purpose and implications. Another challenge for the effectiveness of the job analysis is the human tendency to overstate the positive aspects and understate the negative aspects of the job. Similarly, workers might tend to look at the job from their own perspective rather than the job or organizational perspective. In this context, we shall now discuss a few important challenges impacting the efficiency of the job analysis exercise.

### Employees' Anxiety

Many employees panic when the organization scrutinizes their job for any reason. Consequently, the job analysis often creates uncertainty in the minds of the employees. They often tend to view the whole exercise with suspicion and fear. This is because they may think that the job analyst would discover some unintended fault in their performance and behaviour. Further, the employees may also think that the results of the job analysis might restrict their independence in performing the job. It is therefore essential for the management to clarify all the doubts and fears of the employees regarding the purpose and process of job analysis. It should also clearly state the implications of the job analysis process for the employees.

**Table 2.3 A Pro Forma Job Specification Statement**

<b>Position title</b>	(Indicate the title and designation of the job holder in the job.)
<b>Department/office</b>	(Indicate where the job holder would be posted.)
<b>Educational qualifications and training requirements</b>	(Specify the educational qualifications and training needs of the prospective candidate.)
<b>Experience</b>	(Mention the minimum number of years of experience the candidate must possess.)
<b>Work-based skills and competencies required</b>	(Specify the work-related skills required for the prospective candidate and also mention clearly the essential and desired skills.)
<b>Behavioural skills and talents required</b>	(Identify the skills necessary for teamwork, effective leadership, diagnosing the problems, motivating oneself and others, effective communication.)
<b>Other attributes required</b>	(Mention the special qualities required for the performance of this job.)

Box  
2.4

## Sample Job Description: Pearson Education India

**DEPARTMENT** Editorial–Higher Education

**LOCATION** Noida

**PRESENT JOB HOLDER**

**Title** Development Editor

**Reports to** Managing Editor–Development

**Band** M

**A. OVERALL JOB DESCRIPTION/KEY RESULT AREAS***Primary Responsibilities*

1. Undertake complete development of manuscripts, accompanying software, and instructor resources according to market needs, schedule, and company quality standards.
2. Conduct reviews, review analyses and competition analyses (in the form of charts and reports) including study of student feedback, previous-edition feedback, focus group response and potential adopter response.
3. Create and maintain a development schedule; ensure that all materials (primary and supporting) are received and transmitted on time.
4. Gather market and product data from the sales and marketing departments; provide analysed and collated product-, competition-, and market-based reports to these departments.
5. Work closely with the author and reviewers to develop the manuscript according to the planned concept, ensuring that the style guide and manuscript-preparation requirements are understood and followed.
6. Facilitate the author's vision and provide support (based on market research) in terms of writing, content and organization.
7. Develop art manuscripts, comment on layout design, and create cover briefs in collaboration with the author and the art/design department.
8. Obtain, or assist author in obtaining all permissions for text, photos, and illustrations as needed.
9. Provide early editorial review during manuscript selection; set quality standards and maintain such standards through every stage of development and production.
10. Provide regular updates and post-production support to the sales and marketing department on developed titles; follow up on post-publication feedback for future editions.
11. Act as student liaison, organize student-outreach programmes and participate in campus recruitments.

*Secondary Responsibilities*

- Participate in conceiving and acquiring appropriate manuscripts and book ideas.
- Participate in the discussion and evaluation of book proposals and early-stage manuscripts.
- Perform other related duties incidental to the work described herein.

**JOB REQUIREMENTS/ENTRY CRITERIA**

1. A postgraduate degree in science, commerce or humanities, or a good bachelor's degree in engineering
2. Excellent communication and presentation skills
3. Excellent man-management skills
4. Ability to maintain development schedules
5. Ability to liaise with all departments

Agreed by Head of Department -----

Agreed by Job Holder -----

*Source:* Dorling Kindersley India. Reproduced with permission.

### **Management's Attitude towards Job Analysis**

The management's attitude can facilitate or hamper the effectiveness of job analysis. Past experience suggests that if the employees fear that their freedom of operation would be restricted by the management, they might not cooperate in the job analysis process wholeheartedly. Similarly, when the managers fear that the job analysis process would be used by the management to undermine their authority in dealing with their subordinates, they might summarize the job incorrectly. In contrast, when the management is sincere in its handling of the results of the job analysis, the credibility of the exercise and the cooperation of the employees would go up substantially.

### **Undue Importance to Job Holders**

Often, job analysts give more importance to what the employee does in the job than what the job actually requires. This might lead to an overstatement of the job characteristics and requirements. In such cases, the organization may mistakenly look for a person who would replace the existing job holder instead of searching for a suitable person for the job.

### **Environmental Influence**

The prevailing environment and the existing facilities usually influence the process of job analysis. If the organization undertakes job analysis in the context of the changes in the technological environment, the employees may resist it for fear of disturbances in the status quo and job losses. In such a case, if the employee unions are strong, they may resist changes in their work environment strongly and thus make the job analysis exercise unnecessary. In fact, unions often view job analysis as a prelude to major changes in the job and hence oppose the very concept of job analysis.

### **Absence of Follow-up Action**

When the organizations fail to initiate necessary changes in the job as a follow-up to the job analysis, the employees may lose their confidence in the whole process. In future, they may become indifferent to the job analysis process. Thus, it is essential for the management to carry out necessary changes in the job composition, wherever required.

## **Job Design**

In a simple sense, job design is the division of the work of the organization among its employees.<sup>18</sup> It is basically a combination of the job content and the work method adopted in the job. Job content states the tasks to be performed as part of the job while the work method deals with the mode of performing the job. Certainly, a well-designed job can have a definite impact on the performance of the job and its contribution to the overall growth of the organization. It can also make the work experience of the employees more rewarding and productive. On the other hand, a poorly designed job often causes difficulties in strategy formulation and also in the proper alignment of various functional activities. Thus, the basic aim of a job design is to clearly establish the role of each job and the job holder in the overall system of an organization.

The designing of a job often involves responding to certain questions: What tasks need to be done as part of a job? Who should do the job? How should it be done? Where should

Box  
2.5

## Definitions

“Job design is the specification of the contents, methods, and relationships of jobs in order to satisfy technological and organisational requirements as well as the social and personal requirements of the job holders.”<sup>19</sup>

—L. E. Davis

“Job design is the process of determining the specific tasks to be performed, the methods used in performing these tasks, and how the job relates to other work in the organization.”<sup>20</sup>

—R. Wayne Mondy

“Job design refers to the study of jobs, tasks, constellations of tasks that encompass properties, perceptions, and response to properties and/or to perceptions. It thus includes job enrichment, job enlargement, job characteristics models and social science information processing perspectives.”<sup>21</sup>

—Ricky W. Griffin and Gary C. McMahan

it be done? While designing a job, the firm must keep in mind the organizational interest in terms of productivity, performance and quality. At the same time, it should also consider the employee interest in terms of satisfaction, challenges and the growth potential available in the job. We shall now see some of the definitions relating to the term *job design* in Box 2.5.

Job design should always be in alignment with the strategic goals of the organization. Besides, it is essential for an organization to ensure that its jobs are designed only by the people with adequate experience and exposure in this profession. Further, the job design must be written in a simple language so that it can be easily understood by all the stakeholders. Finally, it should be agreeable to both the management and the employees.

### Benefits of Job Design

Job design has the following benefits:

- It enables the organization to develop a competent, dynamic and responsive workforce.
- It ensures that the customers get high-quality goods and services without any delay and interruptions.
- It helps the firm in achieving cost reduction by eliminating the causes of accidents and injuries through enhanced health and safety measures.
- It enhances the employees' satisfaction, motivation, involvement and commitment, leading to improved cooperation between the management and the employees.
- It offers wide opportunities to the employees to convey their views and opinions to the management through participative management programmes.
- Its implementation often requires the employees to undergo periodic training to upgrade their skills and thus helps them in their career growth.
- It contributes effectively to the organizational effectiveness and, as a result, to the competitiveness of the organization in the market.

### Environmental Influence on the Job Design

A job design is often influenced by the multiple forces of the environment, both internal and external to an organization. The internal environmental factors that normally determine the job design are the size and characteristics of the organization, the type of work, the nature

of the production process, the characteristics of the workforce, the level of technology, and the stage of organizational growth. The external environmental factors that shape up the job design are the social, political, legal and cultural factors. We shall now see the important factors influencing job design.

## **Ergonomics**

Ergonomics means designing a job according to the worker's strength and ability in order to avoid strain injuries caused by repetitive operations. A job design is certainly influenced by the existing employees available in an organization. As part of the job design process, organizations often employ psycho-physical methods to determine the suitable employee weight and force for a job. In fact, psycho-physical techniques require employees to adjust their weight or force on the basis of the job requirements in conformity with their own perception of what an acceptable workload is under exact test conditions.<sup>22</sup> Once the employee-strength data is compiled from the majority of the employees, an organization designs the job in such a way that the physical requirements of the job do not exceed the physical strength and capabilities of the employees.<sup>23</sup> Thus, the job design is specifically influenced by the human strength and force available in the organization.

## **Characteristics of Task Structure**

The task structure in a job refers to the manner of construction of a job and the arrangement of tasks in that job. The characteristics of a task structure normally influence the job design. These are often identified through task objectives, entrance criteria, the planned role of the job holder and his skill requirements, the input requirements in terms of materials, tools and technology, task process, quality requirements, performance evaluation tools, and the results in terms of output or goal accomplishment.<sup>24</sup>

## **Task Assortment**

A job containing a variety of tasks usually enhances the interest of the job holder in performing such a job. On the other hand, a job involving the performance of repetitive tasks causes job monotony and dullness. Thus, the extent of task assortment in a job is an important factor influencing the job design. However, the job should avoid too many varieties or too few varieties. Rather, the varieties must be properly balanced on the basis of the nature of the job and the level of its position in the organization structure. Generally, broadened and multi-skilled jobs stimulate and sustain employees' interest and involvement by offering variety and challenges in the task performance.

To enhance the employees' motivation, commitment and involvement, E. E. Lawler<sup>25</sup> has identified three factors as the basic necessities for a job: (1) feedback, (2) the use of abilities, and (3) self-control. Feedback refers to providing each employee purposeful feedback about his own performance in the job on a continuous basis. The use of abilities means making employees feel that their abilities are absolutely essential for the successful accomplishment of the job. Self-control refers to enabling the employees to gain confidence that they are capable of exercising self-control over their own goal-setting process and its execution.

## **Level of Autonomy and Responsibility**

The philosophy of the organization concerning job autonomy influences the job design process. Job autonomy depends on the extent of freedom available to an employee. Conventionally,

a job with a high rate of autonomy provides better satisfaction to the employees. Thus, the degree of autonomy is one of the factors influencing the job design. However, the job with a higher degree of autonomy usually carries higher responsibilities on the part of the job holder. Each employee must be made accountable for all the decisions made by him in the course of his performance. Thus, elements like autonomy, responsibility and accountability affect job designs.

### Practices

Practices refer to the customs or norms developed over a period of time which deeply influence the employees' behaviour and way of doing the work. Organizations normally combine the conventional working practices with the modern and professionally created ones to develop a job design. They redesign their jobs on the basis of the prevailing work practices. In fact, the developments and changes in the work practices are often influenced by the technological developments, the characteristics of workforce, and the strength of the union. Thus, the job design, the technology levels and the workforce abilities must be well aligned for effective work performance. Box 2.6 delineates this factor influencing job design in Wipro.

### Recognition and Support

In every job, the employee performing the job expects some sort of recognition and appreciation for his efforts from others. Also, he anticipates useful support from others in the effective discharge of his duties. The supervisors, co-workers and managers need to support the employee by building an environment that promotes team spirit and self-worth. Thus, the job design process is influenced by the employee's desire for recognition and support. But, a job design that tends to promote alienation and disunity would harm the interest and well-being of the organization. Moreover, the organization should design the job in such a way that it facilitates the employee's participation in decision making. Such job designs often promote a sense of belonging and high involvement. Accordingly, the job design should ensure recognition and support for the employees and their participation in decision making.

#### Box 2.6

#### Workplace Practices: An Influencing Factor for Job Designs

Each organization adopts a style of its own to gather information for designing and redesigning the jobs. The prevailing culture and workplace practices play a predominant role in the job designing process. For instance, some organizations have the practice of periodically approaching their employees to gather information about different aspects of their work life. Apparently, this would also include information about their job. These nuggets of information would then be productively used for job designing. However, the method of gathering relevant information may differ from one organization to another as each organization may develop a unique method to collect the necessary information.

Wipro Technologies has developed an effective feedback and communication system for information gathering for

several purposes including job design and redesign activities. For instance, it has a programme called "W10"—a ten-question survey tool for obtaining information from the employees about their perception of the health of the workplace and managerial effectiveness. Further, it conducts an "Employee Perception Survey" once in two years to identify their satisfaction levels about different performance drivers and their areas of concern. In case of teamwork, it adopts skip-level meetings to get feedback from the employees about team cohesiveness and leadership effectiveness in each team. These practices help the organization in planning midway corrections in job-related aspects to enhance the effectiveness at job.

*Adapted from:* [www.wiprocorporate.com/People/Employee\\_Feedback.asp](http://www.wiprocorporate.com/People/Employee_Feedback.asp).

## Technological Developments

Technological developments have a profound influence on the job design process. The changes in the technological environment provide an organization with the opportunity to redesign its job. For instance, the computer-aided manufacturing (CAM) techniques have changed the traditional production techniques and job designs. Changes in technology may lead to either product innovation or process innovation. Product innovation usually makes little impact on employee performance and job design. On the other hand, process innovation often leads to major changes in the techniques of production and the employee's skills necessities. These changes in production techniques and employee competencies frequently necessitate alterations in job designs.<sup>26</sup> Thus, technological developments have a major influence on the job design process.

## Strength of the Union

The presence of the union in the organization can also influence the job design process. In a non-unionized environment, the management may design the job independently and to its own advantage. For instance, the job security measures and the minimum skill and qualification requirements would be decided by the management alone. Similarly, the management may not have any external pressure to ensure standard health and safety provisions and practices. In contrast, in a unionized environment, the management may be pressurized by the unions to accept its terms for job designs. For example, they may insist on comprehensive job security mechanism, minimum skill requirements for the job, high-quality tools and equipment, standard health and safety measures, and strict adherence to necessary legal provisions for different jobs. Lastly, in the absence of a harmonious management-and-union relationship, the unions may adopt a rigid approach towards the job design process and thus hurt the interests of the organization.

## Corporate Culture

Corporate culture refers to the norms, practices, assumptions and beliefs followed by an organization. This corporate culture determines the response of the organization to the developments in the external environment. In fact, changes in the characteristics of the labour market, developments in technological field and upheavals in the market dynamics shape and reshape the corporate culture. The corporate culture can also make an impact on job design. For instance, the status and position of the job, and the rewards and recognition available to the job are greatly influenced by the corporate culture. In fact, job designing provides an opportunity to the organization to communicate the corporate culture to the employees in many ways.

## Working Conditions

Working conditions refer to the physical environment which is made up of machines, space, heat and light, ventilation and safety levels. In terms of physical hazards, safety requirements and health issues, working conditions can have an impact on the job design. While designing a job, care should be taken to ensure that the job offers safe and healthy working environment to the job holders. Thus, it is essential for the organization to ensure that the job has adequate safeguards for occupational health, safety and well-being. This may be done by incorporating necessary provisions in the job design process.

The Multi-method Job Design Questionnaire (MJDQ) created by M. A. Champion<sup>27</sup> is worth mentioning here. This model helps an organization in developing an interdisciplinary approach to the task of job designing. It integrates the diverse views about job design drawn from different disciplines like industrial engineering, organizational behaviour and work physiology. This questionnaire has developed four general approaches to the study of job design. These are motivational, mechanistic, biological and perceptual-motor approaches. The motivational approach focuses on the satisfaction outcome of a job design process. The mechanistic approach emphasizes on the efficiency outcome while the biological approach is associated with the comfort outcome of the job design. Perceptual-motor approach studies the reliability outcome of the job design process.<sup>28</sup> This integrated approach provides a useful insight into the process of job design and has become a popular job designing device.

## Critical Components of Job Design

The main purpose of a job design is to increase a firm's ability to meet its objectives effectively and to provide job satisfaction to the employees. Usually the job design is done on the basis of the ergonomics, task characteristics, work practices, corporate cultures and technological environment. As shown in Figure 2.4, the components of any job design are job enrichment, self-managing teams, job rotation, job reengineering, job enlargement, participative management, peer performance review and high performance work design. We shall now see these concepts in detail.

### Job Enrichment

Job enrichment refers to the development of work practices that challenge and motivate the employees to perform better. It often results in achieving desired improvements in productivity, safety of work, quality of products/services and job satisfaction. Organizations also adopt job enrichment to encourage multitasking by the employees in the job. Job enrichment may include, among others, the formation of a quality circle, self-directed teams, job rotation and better communication. In a nutshell, job enrichment aims at

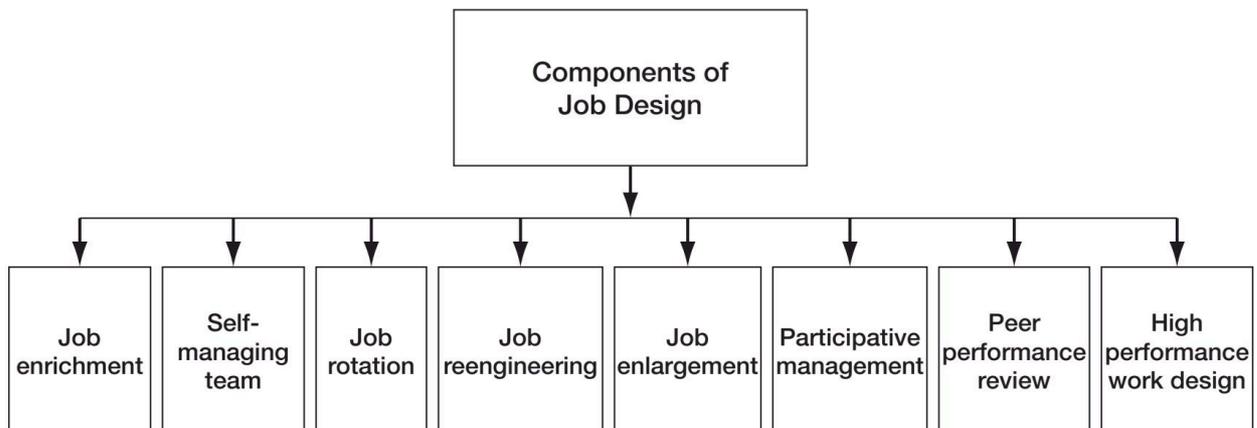


Figure 2.4

### Components of Job Design

achieving HR costs' reduction and job satisfaction. In fact, studies have shown a positive correlation between job enrichment and job satisfaction.<sup>29</sup>

**How to Enrich a Job** The main aim of job enrichment is to provide an enhanced autonomy for the employees and increased operational efficiency for the organization. To achieve the desired results in job enrichment, the following guidelines could be followed:

- Encouraging the employees to involve themselves in goal setting and accomplishment activities.
- Enhancing the scope of the job to utilize the diverse skills of the employees.
- Allowing the employees to do the whole job, i.e., from the beginning till the end, so that they could develop a sense of achievement.
- Providing necessary autonomy to the employees on matters relating to the method, speed and order of doing the job.
- Encouraging the employees to know the significance of their work in terms of its contribution to the accomplishment of the overall goal of the organization.
- Constantly challenging the employees to adopt innovation in job by acquiring new knowledge and skills.
- Improving the information sharing process by strengthening the existing communication channels and also by introducing new communication channels.
- Ensuring that the employees get timely and adequate recognition and appreciation for their effective performance and successful completion of the job.
- Enabling the employees to get constant feedback of their own performance by communicating the results of the work done by them.
- Making employees believe that the present job is not an end but only a means for better prospects in the organization.

Box 2.7 outlines the job enrichment efforts of a global company.

### **Self-managing Teams**

Self-managing teams are usually entrusted with the overall responsibility for the accomplishment of work or goal. They enjoy autonomy in decision making on matters involving when and how the work is done. They are given adequate freedom to determine the mode of execution by planning the pattern of work, distribution of assignments, rest breaks, performance evaluation, and so on. However, the accountability for the outcomes should be clearly defined. This method is appropriate for group activities. This method is capable of providing intrinsic motivation to employees as the team members here enjoy better work autonomy and control their own work.

The self-managing teams require doing a lot of groundwork in order to ensure the success of the whole process. The preparatory requirements for self-managing teams are:

**Work Mapping** This involves defining the boundaries of the teams clearly in terms of authority, responsibility and accountability. Each team should have a distinct identity, purpose and sphere of activities within the organization.

Box  
2.7

## Job Enrichment at Volvo: The Pioneering Effort

Organizations around the world are making every possible effort to make the job more satisfying to its workforce. This is because the extrinsic satisfaction provided through economic benefits like wages, incentives and benefits may not have the desired impact on the employees while actually performing the job. Moreover, most of these benefits are intermittent benefits to the employees. Thus, there is a need to offer intrinsic satisfaction, which comes out of the job itself. Many organizations are seriously engaged in such an endeavour which is technically called job enrichment. The success of the Volvo Company in job enrichment is worth mentioning as an example.

The Volvo Group is on a relentless pursuit to develop an excellent and totally acceptable work environment, to adapt machines to the people who work with them and to organize the work in such a way that the job performer has an influence on his or her own work situation and also obtains a sense of purpose and satisfaction from the job. As far as Volvo is concerned, the working

environment is not a matter of the floors, walls and roof of a building, ventilation, spaciousness or equipment alone but is very much dependent on the people working together. A close-knit work environment is indeed made up of an authentic team, which is able to communicate freely and receive appreciation for the work it does and that has a sense of accomplishment.

According to Volvo, job enrichment means more responsibility to the individual in the areas of quality control, job planning, and so on. Job expansion means the deeper involvement of individuals in the work, protracted work cycle and reduced job monotony. Job rotation means that the employees in a section of production can change jobs with each other once a day or possibly more often. The purpose of such arrangement is not only to enhance the multi-skills of the employees but also to preserve the physical and psychological well-being of the employees.

*Adapted from:* <http://www.volvoclub.org.uk/pdf/200000VolvoHands1975.pdf>.

**Determining the Size of the Team** The size of the team contributes critically to the success of the self-managing team. The team should be neither too big nor too small. It is essential to identify the right size for the team. There are various factors that influence the decisions relating to the size of the group. These are the nature of process and products, the physical distribution of activities, the style of leadership, and the rate of delivery.

**Leadership Development** Effective leadership is critical to the success of self-managing teams. The leaders of the teams should be given training in leadership tasks, leadership styles, communication, motivation and other necessary leadership qualities.

**Fixing the Team Norms** It is essential for each team to develop rules and regulations to govern the behaviour of its members. It should have a categorical list of dos and don'ts for its members and they should not be allowed to misuse their authorities. The teams should have perfect clarity on matters like recruitment, training, discipline, resource management, and financial budgets.

The organizations get several advantages by forming self-management teams. These are: (i) the presence of a learning organization, (ii) self-motivated employees with a high level of intrinsic motivation, (iii) cost-effective accomplishment of targets, (iv) the decentralization of authority and responsibility, and (v) a focus of the top management on non-routine tasks as it is relieved of routine activities.

### Job Rotation

Job rotation refers to moving employees from one job to another in a predetermined way. This enables an employee to perform diverse roles and gain exposure to the techniques and

challenges of doing several jobs. An organization may adopt job rotation in two ways. In one case, the employee might be moved from the existing job to a new one as part of promotion or transfer after he spends a few years in the current job. The purpose here is to offer new challenges and to avoid boredom in the job. In the second case, job rotation is viewed as a part of the training process. The trainee is moved from one job to another to enable him to learn about each of these jobs.

### Uses of Job Rotation

- It facilitates the horizontal movement of employees to widen their knowledge and varied skills.
- It enables the organization to identify the skill deficit and training requirements of its employees.
- It enhances the interest and satisfaction of the employees in the performance of the job.
- It reduces or eliminates the boredom associated with the performance of the same job for longer periods.
- It helps in the identification of the latent talents of the employees and also in finalizing the career growth plan of each employee.

### Job Reengineering

Job reengineering is the process of streamlining jobs in the form of combining a few jobs into one, redistributing the tasks among various jobs, and reallocation of resources. It also involves reconsideration of the methods of job performance, physical layouts and performance standards. The basic aim of job reengineering is to reduce costs, delays, absenteeism and conflicts. Michael Hammer<sup>30</sup> defines job reengineering as “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed.”

Job reengineering involves redesigning of each work system in order to make the organization more competitive in the market. It calls for radical rethinking by the organization about the existing work pattern and its task characteristics. It involves redesigning of the process and the HR management system to achieve improved performance, productivity, quality and competitiveness. The reengineering process involves:<sup>31</sup>

**Pattern Breaking** This involves radically changing the existing rules and regulations to suit the conditions of the existing environment.

**Realigning with Corporate Goals** This implies revisiting work processes to ensure that they are properly aligned with the goals of the organization. Wherever necessary, redesigning must be done in the job activities to achieve the alignment required.

**Abolition of Power Structure** This process involves substituting the traditional hierarchy with self-managed or autonomous teams. It also involves decentralization of authority, responsibility and accountability.

**Work Flow Redesigning** In this process, the organization should re-examine the work flow designs to ensure that they revolve around the goals and strategies.

**Enhancing IT Applications** The developments in technological environment facilitate the application of information technology (IT) in every possible sphere of process design. Similarly, IT can also be used to enable process reengineering in an organization.

**Redefining Titles and Positions** Job reengineering may require redefining of job titles, relationships, positions and responsibilities to suit the changes made in the process.

**Establishing a Learning Organization** Job reengineering often requires continuous learning by the employees. In this regard, 'on-the-job training' is emphasized to reduce the time taken to perform a task, inculcate quality-consciousness and improve productivity.

**Performance-based Incentives and Rewards** It may require a redesigning of performance evaluation techniques to assess the individual and group effectiveness. The reward structure and incentive programmes may have to be revised as a consequence of job redesign.

## Job Enlargement

Job enlargement transforms the jobs to include more and/or different tasks. Its basic aim is to make the job more attractive by increasing the operations performed by a person in the job. Job enlargement techniques aim at designing jobs in such a way that the interest and needs of both the management and the employees are fulfilled. From a historical perspective, boredom and lack of job motivation were the primary reasons for the introduction of job enlargement in the 1950s. During this period, several companies initiated modifications in the jobs to make them more interesting and challenging. For instance, IBM enlarged the job of its machine operators by making them responsible for machine setting and inspection.

In reality, job enlargement offers diverse tasks to the employees even while ensuring that the enlarged job requires the same level of skills. While deciding about job enlargement, the organization should consider whether it wants to adopt a horizontal or vertical enlargement.

**Horizontal Enlargement** It refers to the degree to which a job contains many tasks. It involves the enlargement of duties by adding new but similar tasks. It aims at making the job low in specialization and boredom. It also attempts developing new skills among the employees. In practice, horizontal enlargement is adopted when the tasks are complex and structured. In this method, the percentage contribution of each employee in the complete product is increased significantly. Finally, it aims at removing difficult tasks in a job to promote greater productivity, especially in difficult jobs.

**Vertical Enlargement** It is the degree to which the employees decide how the task is to be done. It enables an employee to participate in the planning, organizing and controlling aspects of a task. It removes some controls but the authority and the accountability are increased or retained. The primary purpose of this method is to enhance the status and self-fulfilment needs of the employees. This method involves the assignment of an absolute task unit to an employee. Vertical enlargement is suitable when the tasks are routine and well-structured.<sup>32</sup>

## Participative Management

Participative management means allowing employees to play a greater part in the decision-making process.<sup>33</sup> It has been found to be useful in improving the quality of work life, job enrichment, quality circles, total quality management, and empowerment. In fact,

participative management is considered to be the panacea for the ailments of an organization.<sup>34</sup> In participative management, employees are allowed to participate in the strategic planning process as part of their job. In this way, the organization makes the employees feel that their views are important for the organization.

### **Peer Performance Review**

Peer review is a performance evaluation technique adopted by an organization in which the employees in the same rank rate one another. Peer monitoring is one of the strategies for achieving job enrichment.<sup>35</sup> In this method, team members evaluate one another's performance. In addition to this, the team members review the performance of the entire team or group. In peer review, performance evaluation becomes a collaborative and mutual process. Performance appraisal for the employees becomes more personalized and is conducted on a regular basis. The merits of peer review as a job enrichment technique are:

- Peer review usually finds better employee acceptance and involvement than other methods do.
- It is normally accurate, and more target-oriented and job-relevant, as employees are more open and interactive in this method.
- It improves relationships among team members and enables them to get along well with one another.
- It enhances job interest and also reduces review-linked anxiety, frustration and grievance which normally arise when employees' performances are reviewed by their superiors.

However, the major defect of this method is the scope for bias and prejudice in the evaluation done by the peer group members. Peer review can also ignite avoidable rivalry and bitter feelings among members when there is a negative evaluation of someone's performance.

### **High Performance Work Design**

Developing a high performance work design is also considered as a strategy for job enrichment. Effective work groups are created in an organization through this technique to achieve a high level of performance.<sup>36</sup> Certainly, a high-performance system can produce the desired effects on organizational productivity and performance. It can also achieve the required employee satisfaction and involvement. The key characteristics of a high performance work system<sup>37</sup> are:

- Presence of highly skilled, dynamic, coordinated and loyal employees
- Existence of flat, flexible and modern management
- Capability of preserving the experienced and skilled employees for a long time
- Existence of harmonious relationship between the management and the unions
- Presence of full-fledged self-managed teams with adequate authority, responsibility and accountability
- Existence of supportive rather than autocratic style of leadership and management
- Payments system count on team performance but give due importance to the skills of the individuals.

## Limitations of Job Design

Job design as a job enrichment programme was tried by Frederick Winslow Taylor (1856–1915) in a limited way. He insisted on dividing work into mental and manual categories and then developing job design appropriately. The mental work involving planning and organizing should be focused on and specialized in by the management. The manual work involving execution should be done by the workers. Taylor used job design to develop efficient ways of doing a job. However, his work met with criticism as it did not consider the human aspects of the job design programme.

The next major contribution to the concept of job design was made by Frederick Herzberg in 1968. According to him, the main aim of the job enrichment technique is to enhance the workers' motivation and performance without altering either wage and salary structure or the management's authority and organizational structure. However, this job enrichment concept was obviously not well received by the unions.

By now, it has been established that job design techniques bring several benefits for the various stakeholders. For instance, the employees find increased motivation and satisfaction in their job. Organizations get better productivity, performance and reduced absenteeism. The customers may gain substantially in the form of improved quality and prompt service. Despite all these merits, job design programmes often meet with a number of challenges that affect its efficiency. Let us study them.

- Job design programmes were resisted by the employees on the ground that enriched jobs presented more challenges and thus resulted in more mistakes and lapses. Similarly, they viewed it only as job enrichment and not as job holder enrichment programme.
- The unions frequently oppose job design programmes for fear of job losses that are likely to occur because of increased organizational productivity and individual performance.
- Job design techniques require the managers to change their attitude and perception about the employees. They should have empathy and be ready to work sincerely to improve the job quality of their subordinates. But, managers may not be willing to spare their busy time to enrich the jobs of their subordinates.
- Job design techniques are usually job-specific programmes. They may prove difficult in the case of those jobs that require sophisticated technology and specialized tools and methods.
- Job designs, especially teamwork designs, often face resistance from those employees who lack interpersonal skills and team spirit.
- Employees may oppose job design when they fear reduced autonomy and loss of individual identity in the team as a result of job enrichment.
- Job design techniques may ultimately enhance the skills and responsibility requirements. This in turn may push up the compensation requirements for the enriched jobs.
- Highly motivating jobs created out of job enrichment may cause frequent mental tiredness and stress, leading to increased absenteeism and attrition rates.
- The high cost of implementing job design programmes has discouraged many companies from adopting this technique. A few companies found the job enrichment technique less viable in a cost–benefit analysis.

## Recent Trends in Job Design

In the changing labour market scenario, organizations are competing with one another to devise strategies to attract and retain their best workforce. Companies no longer depend on the conventional method of monetary benefit alone to retain their employees. They effectively use intrinsic motivational techniques like job design, job enrichment and job reengineering to offer the necessary job satisfaction. We shall now see a few modern techniques.

### E-commuting

E-commuting (also called telecommuting) is a kind of work system in which the distance barrier is overcome by means of telecommunication. It facilitates the employees to perform their jobs without being present in office. It is a facility provided to a select number of employees. They may work from home for a relatively longer period of time. For instance, e-commuting can be extended to employees who are pregnant, sick or on long tour. Several software companies find it convenient and feasible to offer this facility to their employees. Companies are reaping several benefits from their e-commuting policies and practices. Some of these are enhanced productivity, reduced absenteeism and attrition, economy in operations and, above all, high job satisfaction and commitment.

However, e-commuting has a few defects that usually hamper its emergence as a major phenomenon. These defects are: (i) the absence of social interaction and team spirit among employees; (ii) the inability to establish effective supervision and control over the employees; (iii) the high initial cost on infrastructure; and (iv) problems in evaluating the performance of these employees.

Of late, a few companies have moved beyond e-commuting to even more advanced systems. For instance, part employments based exclusively on mobiles to intranets are offered to prospective candidates by IT companies. Box 2.8 outlines the benefits of e-commuting in Indian IT sectors.

#### Box 2.8

#### E-commuting: A Budding Technology in India

Telecommuting as an emerging technology has helped many companies achieve cost-effectiveness in many of their operations. In fact, allowing employees to work from their home or a flexible office has enabled many companies to save substantially on their office space requirements. Similarly, it has helped organizations to save the transportation cost incurred on their employees. E-commuting has also saved the time and energy of the employees, who would have otherwise spent them on their travel to and from office. Understandably, the time and energy saved must have been utilized in their work, thus enhancing the productivity significantly. However, employees preferring telecommuting need to be self-motivated and self-disciplined and have strong work ethics and sufficient behavioural maturity.

Many IT companies in India have shifted different degrees of their workforce to the e-commuting mode

and gained immensely from the innovative exercise. For instance, Accenture India has adopted this technique to attract the best talents in the IT field, especially women and the physically challenged. Similarly, Cisco India uses this technology resourcefully to achieve work-life integration and boost up employee motivation and organizational productivity. Sun Microsystems has accomplished new milestones in the concept of e-commuting. Nearly half of its employees were brought under some form of the e-commuting scheme, which enabled the company to cut costs substantially and contributed to the cause of energy conservation and pollution control.

*Adapted from:* <http://www.expresscomputeronline.com/20080324/technologylife01.shtml> and <http://blogs.harvardbusiness.org/leadinggreen/2008/08/telecommutings-small-carbon-fo.html>.

### Flexitime Work

Flexitime work is another alternative work practice followed by organizations to achieve better cooperation from employees and to ensure enhanced motivation and commitment. The flexitime scheme is actually a work design in which employees are allowed to work during pre-determined work hours.

In this method, employees have the freedom to choose their flexible starting and ending time of work within the scheduled working hours of the organization. The individual working hours are determined as per the convenience of each employee. An employee may follow his own working hours or his team's working hours, depending upon his requirements. It is absolutely essential for an employee to record his time of each entry and exit. In any case, the company will make no compromise on the quality of the job.

The main merits of this method are:

- (i) It helps the employees strike a proper work–life balance.
- (ii) It enables the organization to create a high level of employee morale and motivation.
- (iii) It reduces job stress among employees substantially as stress-causing factors like inconvenient timings, logistical problems and child-nurturing difficulties can be managed effectively.
- (iv) It ensures the optimum use of the available infrastructure like office and parking space, equipment like computers, and other devices.
- (v) It is an efficient tool to reduce employee absenteeism and attrition and enhance productivity.

However, coordination among employees and supervision might become a problem. Similarly, worker alienation due to reduced social interaction and difficulty in organizing unscheduled but emergency meetings are significant challenges in the flexitime work scheme.

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## Summary

1. Job analysis is a process of gathering of relevant information about various aspects of a job including its content, context and the job performer's skill requirements.
2. Job analysis information is used for job evaluation, job design, job classification, job description and specification, HR planning, recruitment, training, performance evaluation, wages administration, safety and health, industrial relations and legal requirements.
3. The steps in job analysis are: (i) determining the purpose of job analysis, (ii) gathering background information about the job, (iii) choosing representative jobs for analysis, (iv) collection of relevant job analysis information, (v) review of the gathered information, and (vi) development of job description and job specification.
4. The job analysis techniques are questionnaire, job performance, observation critical incident, interview, diary maintenance, technical conference and task inventory analysis.
5. The types of questionnaires available for job analysis are position analysis, functional job analysis, management position description, work profiling system, multipurpose occupational systems analysis inventory-closed ended questionnaire, common metric and Fleishman job analysis system.
6. Job description is a written statement that describes all the aspects of a job. It contains both organizational information (structure, relationship,

- and so on) and functional information relating to the job.
7. The components of job description are job identification, job summary, job relationships, job duties and responsibilities.
  8. Job specification is a document that specifies the minimum acceptable qualities required for a person to complete the job satisfactorily.
  9. The components of a job specification are education and training, work experience, skills and competencies, physical strength and stamina, stress-coping ability and special needs, if any.
  10. The challenges that a job analysis faces are employee's anxiety, management attitude towards a job analysis, undue importance to job holders, environmental influence, and the absence of follow-up action.
  11. Job design is basically a combination of the job content and the work method adopted in the job.
  12. The environmental factors influencing job design are ergonomics, characteristics of task structure, task assortment, level of autonomy and responsibility, practices, recognition and support, technological developments, strength of the union, corporate culture, and working conditions.
  13. The components of job design are job enrichment, self-managing teams, job rotation, job reengineering, job enlargement, participative management, peer performance review and high performance work design.
  14. Job enrichment refers to the development of work practices that challenge and motivate employees to perform better.
  15. Self-managing teams are usually entrusted with the overall responsibility for the accomplishment of work or goal. The steps in the formation of self-managing teams are work mapping, determining the size of the team, leadership development, and fixing the team norms.
  16. Job rotation refers to moving employees from one job to another in a predetermined way.
  17. Job reengineering is the process of streamlining jobs in the form of combining a few jobs into one, redistributing the tasks among various jobs, and reallocation of resources.
  18. The basic aim of job enlargement is to make the job more attractive by increasing the operations performed by a person in the job. The two types of enlargement are horizontal enlargement and vertical enlargement.
  19. When team members evaluate one another's performance, it is called the peer performance review.
  20. Recent trends in job design are e-commuting and flexi-time work. E-commuting facilitates the employees to perform their jobs without being present in office. Flexitime work is a work design in which employees are allowed to work during predetermined work hours.

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## Review Questions

### Essay-type questions

1. Examine critically the steps in the job analysis process with relevant examples.
2. Discuss in detail the uses of job analysis in human resource management.
3. Describe the different techniques available for data collection in job analysis.
4. Evaluate critically the characteristics of the various questionnaire methods used in job analysis.
5. Enumerate the conditions required for an effective interview process in job analysis.
6. Illustrate the important components of a job description statement with examples.
7. Evaluate the challenges affecting the effectiveness of the job analysis process.
8. Trace the environmental factors that decisively influence a job design.
9. Explain clearly the critical components of job design process with relevant examples.
10. List out the strategies available to HR managers for enriching jobs in an organization.

11. "Job analysis is an essential human resource management activity." In the light of this statement, identify the significance of job analysis.
12. Describe the extent of relationships among job analysis, job description and job specification.
13. How will you prepare a job analysis report for the job of a lecturer in an educational institution?
14. Explain the recent trends in the field of job design with necessary examples.
15. "Job design should always be in alignment with the strategic goals of the organization." Discuss.

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# Human Resource Planning

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

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

Crompton Greaves is a private sector company engaged in designing and manufacturing electrical products and services. It is a subsidiary of the U.S. \$3 billion multinational Avantha Group. It is well known for its HR policies and programmes. In fact, it has won quite a few awards for its unique HR practices over several decades.

The businesses of the company are built upon five HR values: leading-edge knowledge, nurturing, customer orientation, performance excellence, and intellectual honesty. Further, it has also developed positive and negative behavioural indicators for each of these values. The company has a well-established and standardized procedure for developing and executing its HR plans. It has a strong conviction about the necessity and significance of involving line managers in the process of HR planning. For instance, it has established an internal HR Council comprising all business heads. This high-level HR council plays an active role in all the HR planning and implementation

process of the HR department. Crompton Greaves also believes firmly in goal-setting exercises for its employees as part of the HR planning process so that the performance excellence threshold improves continuously.

Over a period of time, the successive HR plans of Crompton Greaves brought out several changes in the HR activities of the organization. Currently, its compensation philosophy focuses on differentiation based on professionalism, performance excellence and the complexity of responsibilities. Its training policy emphasizes on a corporate training calendar for planning and conducting training programmes. Lastly, its recognitions and reward system now includes financial and non-financial performance enablers.

The HR planning process of Crompton Greaves and its accomplishments clearly establish the relevance of good HR plans for the success of an organization. Let us now discuss the different aspects of HR planning in this chapter.

## Introduction

Human resource planning is basically a process of identifying the right person for the right job at the right time and at the right cost. This process involves the estimate of the future manpower needs of an organization and meeting them through the labour force available with it. Human resource planning is the first step in the process of recruitment and selection of employees after a job analysis has been completed. From a broad organizational perspective, HR planning intends to achieve better customer satisfaction, quality enhancement and improved employee motivation. From a functional perspective, it aims at enhancing the employees' motivation and commitment, team spirit, mutual trust, and creativity. The three basic objectives of any HR planning are: (i) attracting, developing and retaining an efficient workforce, (ii) evaluating and rewarding its performance, and (iii) inventing and controlling HR plans and programmes to optimize the HR cost. However, the direct and immediate purpose of human resource planning is to investigate, forecast, plan, control and match the demand for and the supply of manpower.<sup>1</sup>

Broadly, HR planning is affected by two important factors—the HR requirements of an organization and its availability within and outside the business. With regard to HR requirements, the role of human resource planning is the estimation of the number and nature of people needed for the accomplishment of the goals and strategies of an organization. As regards the HR availability, the task of human resource planning is to scan the environment in order to identify the availability of people with appropriate characteristics and skills. In the past, HR planning was considered a short-term activity and a problem of the line managers. However, intensified competition, technological changes, changing labour characteristics and other such changes in the environment forced the organization to view HR planning as both long- and short-term activities.

Though the essence of HR planning is the identification of the demand for and the supply of labour to accomplish the organizational goals on a sustained basis, different authors have defined it with slight variations. Box 3.1 lists these definitions.

We may define human resource planning as a process of identifying and then matching the human resource requirements and availability in order to determine the future HR activities of the organization on the basis of the overall organizational objectives.

### Box 3.1

#### Definitions

“Human resource planning is the process of analysing an organization's human resource requirements under changing conditions and developing activities necessary to satisfy these needs.”<sup>2</sup>

—James W. Walker

“Human resource planning is the process for identifying an organisation's current and future human resource requirements, developing and implementing plans to meet these requirements and monitoring their overall effectiveness.”<sup>3</sup>

—Beardwell, Claydon and Beardwell

“Human resource planning is the process for ensuring that the human resource requirements of an organization

are identified and plans are made for satisfying those requirements.”<sup>4</sup>

—D. N. Bulla and P. M. Scott

“Human resource planning is a process of determining and assuming that the organization will have an adequate number of qualified persons available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals' involved.”<sup>5</sup>

—Dale S. Beach

## Characteristics of Human Resource Planning

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

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

## Significance of Human Resource Planning

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

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

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

We shall now discuss in detail the importance of HR planning in human resource management.

## Assessing Future Recruitment Requirements

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

In determining the personnel requirements, an organization may adopt hard or soft HR planning techniques.<sup>6</sup> In the case of the hard planning technique, only the number of personnel (called the numerical head count) is considered for determining future requirements. In contrast, the soft planning technique considers the characteristics, skills, aptitude and attitude aspects of the personnel required for future assignments. Many small organizations are adopting the hard human resource planning technique for estimating the future personnel requirements. Alternatively, large organizations adopt a mix of hard and soft approaches to determine their future personnel requirements.

Thus, HR planning helps in analysing the use of existing human resources, estimating the future surplus or shortage, planning the reallocation of employees, and then finalizing the recruitment requirements of the organization.

### Optimum Utilization of Available Human Resource

Employees are the precious asset of an organization. HR planning helps in achieving cost-effectiveness by optimizing the utilization of this asset. In contrast, the lack of human resource planning often results in under-utilization of human resources and, thus, pushing up the cost of labour. In fact, one of the primary purposes of HR planning is the minimization of employee cost and maximization of employee efficiency and involvement.

HR planning constantly assesses the HR requirements of different departments to identify the surplus and shortage of manpower in them. It also estimates their future requirements on the basis of precise records and forecasting techniques. Finally, it allocates or reallocates human resources to different departments to ensure their best possible deployment. Similarly, HR planning also helps in preventing the wastage of physical assets that may be caused by the sudden shortage of human resources. This is done by forecasting the probable time and cause of skill shortage arising out of foreseen factors like retirement, resignation, death and discharge. In keeping with the skill requirements, organizations develop strategies to tackle skill shortage without much loss of time. Box 3.2 outlines the significance of HR plans for organizations.

#### Box 3.2

#### HR Planning as a Basis of HR Philosophy: The Bata Style

HR planning forms the basis for all decisions involving human resource management. It specifies the norms for each of the HR functions like recruitment and selection, training and development, compensation, and performance evaluation. It also ensures that the HR activities are aligned well with the organizational objectives and contribute completely to their accomplishment. Besides, it helps in determining the HR philosophy of a firm. As part of HR planning, organizations undertake environmental scanning to identify the developments in the external environment. Based on the developments in that environment, the HR philosophy may be framed or reframed. For instance, an organization may reorient its HR policies to recruit more number of women and

physically challenged people on the basis of its assessment of the changes in the societal environment.

The Bata Shoe Company is a case in point. The HR philosophy of the company is based on the principles of non-discrimination and respect for human rights and individual freedom for all employees. Bata also makes a commitment to be a socially responsible employer. Its recruitment philosophy considers knowledge, imagination, skills, diversity, teamwork and integrity as essential for serving the needs of its unique customers. Its training philosophy focuses on developing employee qualities like technical know-how, managerial and organizational skills as well as a result-oriented approach.

*Adapted from:* <http://www.bataindia.com>.

### **Developing Training and Retraining Programmes**

HR planning facilitates organizations in devising training programmes to meet the diverse needs of the employees. This is because it determines the skills and competencies of the required personnel. Thus, it helps in predetermining the nature and duration of training for employees. It also helps in determining the retraining needs of the surplus employees so that they can be redeployed in some other positions available in the organization. Of late, organizations have gone forward in their training approach and are conducting outreach programmes like summer internships to train the prospective candidates even before they take up employment with the firm.<sup>7</sup> Internship programmes of companies are the outcome of their HR plan to identify the aptitude and skills levels of the students, who would normally be absorbed by these companies later.

### **Formulating Compensation Policies**

Compensation is always considered a key variable in the implementation of an organizational competitive strategy. An organization has to necessarily ensure that its compensation plan is aligned well with the HR plan and organizational strategy. For this, the HR plan gathers the necessary information about the conditions prevailing in the external and internal environments of the organization. This information is then used as a critical input for designing the compensation programmes.

HR planning also facilitates the achievement of internal consistency and external competitiveness through a compensation policy. Thus, it helps in attracting and retaining the talented workforce. Besides, HR planning helps in the construction of base pay profiles, incentive schemes and promotions for both individual employees and the group. It enables the organization to undertake periodic compensation reviews across different departments and business units.

### **Determining Management Development Programmes**

In the long term, the success of an organization depends on the ability of its managers to cope with the changes in its internal and external environment. It is thus the responsibility of the organization to recognize the necessary ability and requirements of its managerial personnel in the near and distant future. It should also help the managers in identifying the opportunities to get relevant and recent knowledge in their field. In this regard, HR planning will be central to all management development programmes.

Succession planning, which is an example of the management development programme, is the process of transferring the control of business to others in a planned and systematic way. Developing an effective succession planning programme is pivotal to the stability and success of an organization. The managers identified as possible successors and future leaders should be groomed appropriately. These managers should be given training in skills and competencies required for the future business environment. In such a scenario, HR planning helps in identifying the skills and necessities of an organization in the short, medium and long terms. It also assists the organization in identifying the critical jobs to be included in its succession planning programmes. Box 3.3 specifies the relevance of HR plans for executive development programmes.

### **Gaining Competitive Advantage**

In a changing external environment, many organizations have begun to view HR as a substitute for technology and cost leadership in gaining a definite competitive advantage. They strongly

**Box  
3.3****Competency Building Measures at Wockhardt**

HR planning provides a critical input to the organization in determining the objectives and methodology for training programmes. The goals of the workers' training and executive development are framed on the results of the environmental scanning done as part of the HR planning process. Thus, HR plans help in identifying the skills which are more relevant for the present situation and which need to be specifically focused on by the company. The nature of the business, environmental challenges, the existing strengths and weaknesses of the business, and its future strategies combine to influence the HR and training plans of the organization. It is pertinent to see the training goals of Wockhardt, a global pharmaceutical and biotechnology company as an example of this.

On the basis of market-driven workforce skills and capability requirements, Wockhardt has identified some important skills and capabilities as critical for developing competitive advantage in the market through its employees. These skills pertain to varied areas such as the employee's communication and negotiation skills, business acumen, problem-solving abilities, to name a few. They are branded as Wockhardt holistic excellence enhancement lever (WHEEL). To enable their employees to develop these skills, Wockhardt has initiated programmes like Edge (a distance learning programme), a distinct competency building exercises, and ACE (Aim for Competitive Excellence)—a special "fast track" programme for developing skills.

*Adapted from:* <http://www.wockhardt.com/learning.html>.

believe that good human resources developed through inimitable and non-substitutable HR policies and programmes can get them real and lasting competitive advantage in the market. These HR policies and practices aim at achieving cost reduction even while attaining optimum labour efficiency. This would obviously help the organization in claiming cost leadership in market in due course of time. In fact, HR planning helps in discovering not only the existing talent but also the future skill requirements of the employees. Thus, it facilitates the development of HR policies concerning various aspects of human resources management.

### **Shaping Future Plans and Strategies**

The survival capabilities of large business organizations are usually much stronger than those of the small business units during lean seasons or economic recessions. It thus becomes a compulsion for an organization to constantly devise plans and strategies to enhance business operations and to gain the required stature and size. Quite obviously, no business can develop its growth strategy independent of the HR strategies. The growth strategy may involve a vertical or horizontal business expansion. Similarly, it may be an expansion within or across the nation. Irrespective of the nature and size of the expansion, HR planning plays an indispensable role in every expansion programme of the business organization. In fact, it prepares the ground for effecting the necessary changes in HR activities including recruitment, training, compensation, and performance evaluation to accomplish future strategies.

Organizations improve their industrial relations by sharing the data gathered through HR planning with the labour unions. Harmonious labour management relations based on mutual trust and transparency normally facilitate the smooth introduction of changes in the organization.

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

Human resource planning is influenced by a variety of factors. Some of these are external in nature while others are internal. These factors are: the strategy of the organization, the culture

of the organization, the competitive and financial environment, the current organizational situation, and the need for human resources including skills levels and quality.<sup>8</sup> We shall now discuss these factors in detail.

### **Strategy of the Organization**

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

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

### **Culture of the Organization**

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

In fact, the role of organizational culture in the development of business strategies and functional strategies is remarkable. Certainly, the organizational culture influences the values systems and the decision-making patterns of an organization. The primary functions of the organizational culture are formalization and adaptation of decisions, combination of activities, and ensuring employee motivation and decision implementation.<sup>9</sup> Thus, cultural change is an essential prerequisite for carrying out the strategic plans and changes. By revamping its culture and sub-culture, an organization can create a perfect fit between the organization and its mission, vision and goals.

### **Competitive and Financial Environment**

Before the advent of globalization and complex technologies, the external environment of the business remained relatively stable and definite. Organizations gave little thought to environmental factors while determining their HR plans. In fact, HR actions and policies were guided primarily by the organizational issues and objectives. Today, these organizations no longer have the comfort of working in such stable environments. The changes in the nature of technology, competition, financial and labour markets have created an acute uncertainty and unpredictability in the external environment. Consequently, organizations have now

understood the need to develop HR plans based on the conditions prevailing in the external environment.

In a competitive labour market environment, organizations should conduct environmental scanning to identify, classify and prioritize skills based on their availability in the market. They should also estimate the time required to obtain the necessary skills from the labour market in both surplus and shortage scenarios. This is because the timely availability of labour has a decisive influence on the implementation of HR plans.

### **Current Organizational Situation**

Outwardly, organizations may appear to have common characteristics but, in reality, every organization is distinct and dissimilar to others. Organizations differ in terms of capabilities, adaptability, development stage, managerial styles, order of acquisitions, change management process and workforce competencies. Thus, it is essential for the HR managers to consider the current situation and capabilities of the individual organization while devising HR plans. For instance, HR planners should consider the training capabilities of the organization before determining the recruitment strategy for filling the job vacancies. If the organization has a strong training infrastructure, it can choose employees directly from the campuses and train them well through its extensive training programmes. But in the absence of training facilities, it must recruit only skilled and experienced people, perhaps for a higher salary. Likewise, the financial capabilities of the organization should be considered for determining the compensation packages of the existing employees as well as the new recruits.

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

The number and nature of job vacancies existing in the organization should also be considered while determining the HR plans of the firm. Factors like the need for human resources in terms of the number of personnel required, location of these vacancies in the organizational structure, skills and competency requirements, and the degree of difficulty in getting suitable persons must be considered at the time of devising HR plans. Similarly, the corporate policy towards seniority and merit in promotions, the proportion of internal sources in recruitment to external ones, and agreements with the unions, if any, must also be reckoned. For instance, job vacancies at the lower levels of the organizational structure may require fewer skills and, as such, it is relatively easy to fill those vacancies at a short notice. On the other hand, when the vacancies involve a high degree of technical and managerial competencies, the time required for filling up such positions could become relatively longer. Thus, the skills and competencies requirements of the human resources also affect the HR plans.

### **Human Resource Planning Process**

Human resource planning is the ongoing process for an organization to manage the changes in its internal and external environment on a sustained basis. The basic elements involved in human resource planning process are jobs, time, persons and funds.<sup>10</sup> It is a continuous process because these elements always keep changing. One such instance would be the entry and exit of employees. The employees might periodically leave the organization on account of retirement, resignation or death. Similarly, new employees might join on account of the vacancies caused by the quitting employees or by the expansion programmes undertaken.

Although every organization should develop a tailor-made HR plan process to meet its own specific needs, the following HR planning process (see Figure 3.1) can be adopted by any organization with necessary modifications. The steps in a general HR planning process are: (i) considering organizational objectives and strategies, (ii) assessment of external environment, (iii) preparation of an in-house skill and competency inventory, (iv) HR forecasting—need assessment, (v) HR forecasting—estimation of availability, and (vi) developing HR plans and programmes. We shall now discuss these steps in detail.

### Considering the Organizational Objectives and Strategies

The first step in the HR planning process is the consideration of organizational objectives and strategies. The organizational strategy along with the mission and vision statement clearly expresses the future intent of the organization. The examination of the organizational strategy would provide a clear indication about the future HR requirements of the firm. Thus, HR plans are guided by the overall organizational objectives and strategies.

Each organizational strategy has direct and indirect implications for the human resources of the organization. In fact, HR plans are derived from the contents of the organizational objectives and strategies. Thus, HR managers should consult the organizational objectives and policies for framing guidelines concerning hiring policy, training policy, promotion policy, union issues and automation. Certainly, the complete knowledge of the organizational objectives is the first and the essential prerequisite for an effective HR planning process. If the HR planning is to be genuinely effective, it should be aligned with the various levels of general business plans not as an end itself, but as a means to building a prosperous organization.<sup>11</sup>

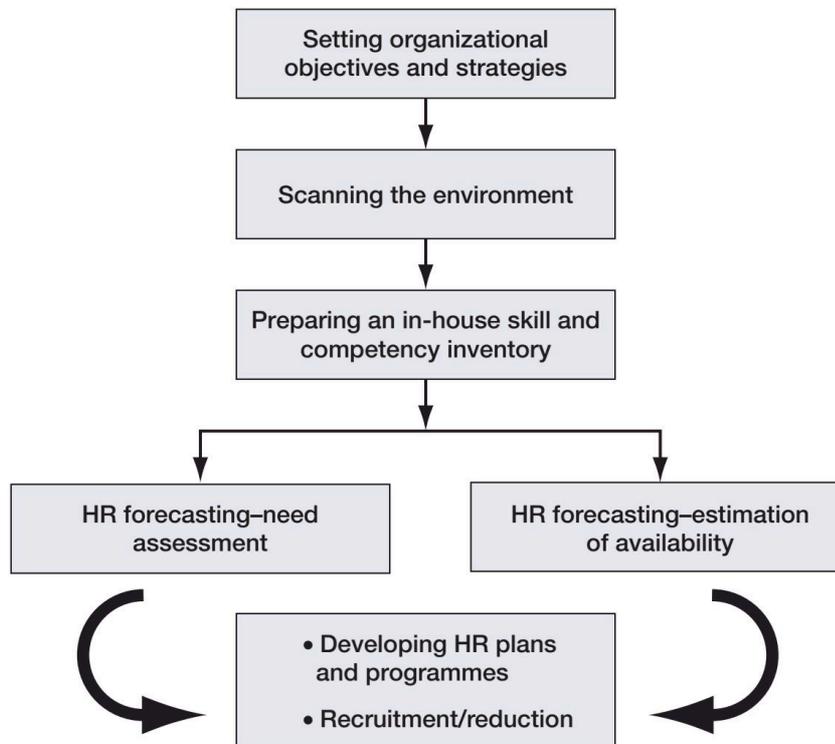


Figure 3.1

#### The Human Resource Planning Process

## Scanning the Environment

Organizations undertake environmental scanning to identify the changes in the external environment. This also helps in analysing the impact of those changes on the organizational present and future activities. Environmental forces are defined as those events that can cause a company to achieve or fail to achieve business objectives.<sup>12</sup> The basic purpose of any environmental scanning is to examine the business environment to seize the opportunities and tackle the threats. Environmental scanning involves collection of information in the form of statements, actions and responses of people associated with the environment. This information is then closely scrutinized to figure out the likely changes in the environment. Figure 3.2 illustrates the important external environment factors that usually affect the HR plans of the organization. Let us now discuss each of these factors.

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

**Legislative Measures** Generally, the philosophy and policy of the government deeply affect business plans and preparations. The business philosophy of the government can be understood through its economic and commerce policies and also through its various labour and industrial laws. HR planners must be aware of the attitude of the government towards the business. They should also know the limitations imposed by the government rules and regulations on the HR practices. Again, they should take advantage of the relaxation offered by the rules and regulations that come into being. For instance, the Government of India amended the Industrial Disputes Act of 1947 as part of the labour reform process. This decision enabled companies with a strength of up to 1,000 to retrench employees without getting prior approval from the government. This change has apparently provided more flexibility to the employers in the labour-separation process.

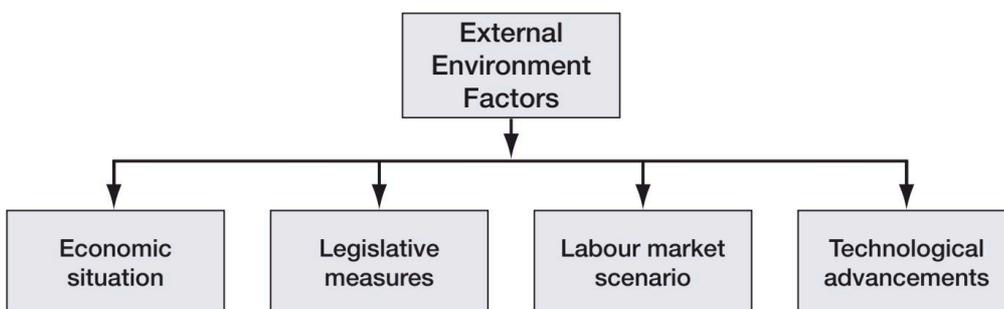


Figure 3.2

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### External Environment Factors

**Labour Market Scenario** The extent of competition in the labour market and the recruitment strategy of the rival organizations also influence the HR plans of an organization. When the HR plans require relocation of employees in the form of transfers or redeployment, the response of the affected employee would usually be based on the conditions of the labour market. When there is a labour shortage, the employee might seek a job change by quitting the company. In such a situation, the HR planner must be more prudent in implementing sensitive HR decisions. Besides, the intensity of the competition and the recruitment strategy of the competitors in the industry should also be considered while determining the pay scales and incentives. In the case of existing employees, the pay scale must be sufficient to protect them from being poached by the rivals. As regards the new entrants, the compensation package must be adequate to attract the best persons to the organization. The globalization process has widened the labour market and thus sharply increased the importance of labour market scanning while devising HR plans.

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

In addition to these factors, HR planners should also consider the relevant changes in the characteristics of the workforce while formulating HR plans. The influence of socio-cultural factors and demographic factors like age, educational levels and gender justice on HR plans must also be assessed.

### **Preparation of In-house Skills and Competency Inventory**

In the next phase of HR planning, the organization must assess the present strength of its labour force by preparing a skill inventory. A compilation of skills, competencies and qualifications of the entire workforce is described as a skill inventory. Its preparation may involve the determination of the sum of the employees' experience, knowledge, education, and skill levels. Actually, the quality and size of the skill inventory of an organization will influence its business strategy and HR plans decisively.

**Skills Audit** Before preparing the HR plans, HR managers should know what skills and knowledge the organization requires and what it possesses currently. In this regard, HR managers usually conduct a skills audit to assess the current skill levels of the organization. It involves assessing the performance of the employees from the task perspective. It also helps in identifying the employees' strengths and weaknesses and the skill gap (skill requirements) within the organization. Further, it assists in determining whether the present skills inventory is sufficient to meet the organizational goals. It also aims at identifying the area of improvement in various skill levels. Box 3.4 shows the relevance of a skills audit and skill gap analysis for IT companies.

**Core Competency Analysis** Core competencies are the extraordinary abilities of an organization that enables it to acquire competitive advantage in the market. These abilities may be its advanced technology, well-reputed management, problem-solving ability,

**Box  
3.4****A Skill Gap Analysis: Tata Shows the Way**

A skill audit is a technique adopted by an organization to get the right mix of skills, qualities and experiences for enhancing its operational effectiveness. It helps the organization in listing the range of skills available with the present workforce. This list is popularly called a skill inventory. Studying the existing skills available to the organization, it can decide what skills are needed for the organization in the future and, thus, what should be expected from the future recruits. The skill inventory is primarily used for identifying the skill gaps in an organization. It also helps in initiating appropriate remedial measures. Many IT companies have a system of conducting a skill audit, developing a skill inventory and identifying the skill gaps.

TCS has adopted the Tata Interactive System (TIS), a skill inventory and skill gap analysis system based on a competency model. This has become a universally acclaimed model and is certified for P-CMM Level 3. In fact, TIS comprised several hundred multidisciplinary specialists. As part of the skills audit and tracking, the employees' performance in terms of knowledge, abilities and skills are assessed at TIS within a period of six months. The results of the skills audit serve multiple purposes. They are used to determine the future recruitment and training goals and also provide quick feedback to the employees besides identifying the skill gaps.

*Adapted from:* <http://www.financialexpress.com/news/building-a-skills-inventory/132755/1>.

employees' KSA. From the HR perspective, core competency means the skills and knowledge of the workforce available within an organization that differentiates it from its rivals in the industry offer value (some benefits) to the customers. A core competency analysis is basically an internal analysis of the general strengths and weaknesses of a firm. Organizations conduct it to identify their distinct competencies, systems and processes suitable for further development necessary to gain a competitive advantage. The results of a core competency analysis usually form the basis for formulating corporate strategy and HR strategies. The core competency approach has wide applications in HR activities involving recruitment, selection, training, compensation management and performance management.

Once the organization gets to know its strengths and weaknesses and the skill gap of its existing workforce through the skills audit and core competency analysis, it should proceed with the next step of forecasting the demand for and supply of labour.

### **HR Forecasting—Need Assessment**

The success of HR plans depends on the accuracy of the HR forecasts that are needed to implement the organizational strategies. These forecasts involve estimating the future requirements of the organization in terms of the nature and the number of people. The information gathered through external environmental scanning and internal skill assessments are used to predict the future HR requirements of the organization. However, HR forecasting usually depends on an organization's estimation of future demand for its goods or services in the market and the resultant profits. In addition to demand forecasting, an organization may also consider several other factors like management philosophy, absenteeism and labour turnover rates, organizational growth pattern, planned technological improvements, the proposed changes in product lines, and the financial capabilities for forecasting HR requirements.<sup>13</sup>

An organization may use one or more of the forecasting techniques available to assess the future HR requirements. In fact, the accuracy of HR forecasting largely depends on the ability of the forecasting techniques in rightly projecting the future. Figure 3.3 lists the different forecasting techniques that an organization can use to assess its HR needs. We shall now discuss these forecasting techniques commonly used for human resource forecasting.

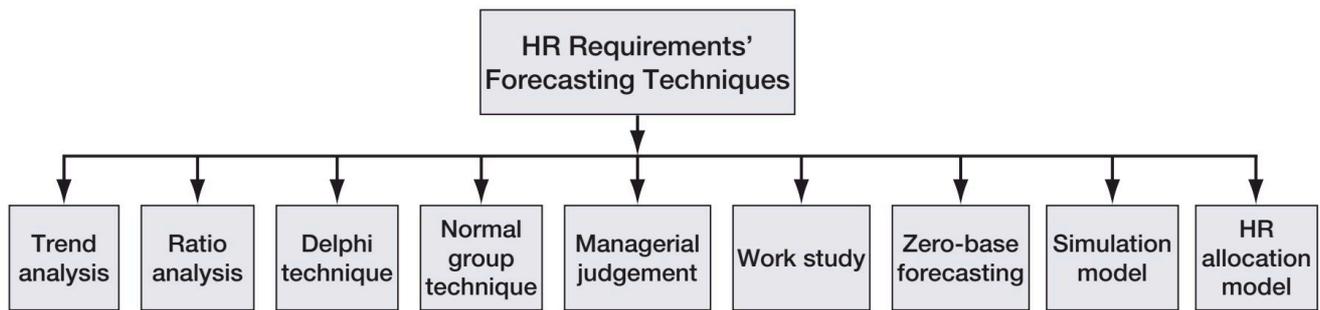


Figure 3.3

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**Human Resource Requirements' Forecasting Techniques**

**Trend Analysis** Trend analysis is a simple technique used for forecasting the HR requirements on the basis of past events. It involves the comparison of any factor that influences HR requirements (for example, the average number of resignations in a year) over a considerable period of time (for example, ten years) through a simple statistical analysis. The general trend obtained in that factor is used to project the future direction of that factor as well as the HR requirements. Trend analysis is, therefore, a tool for examining the employment-related factors over a period of time to forecast the future needs. However, it is a tool suitable only for a preliminary assessment of HR requirements. This is because HR forecasting is often influenced by multiple factors and past trends is just one among them. Trend analysis totally ignores other factors.

**Ratio Analysis** Ratio analysis is the analysis of the relationship between any two numerical variables. As a forecasting technique, it presumes a certain relationship between two given variables and, using that relationship, predicts the future HR requirements. For instance, an organization can predict the number of people additionally needed for a likely increase in demand for a product. Let us see a simple case.

If an organization produces 50,000 units of a product with 1,000 current employees, the ratio of the units produced to the number of employees would be 50:1. In such a scenario, when the organization estimates that the production would increase by another 25,000 units in the near future, the HR forecasting based on the ratio analysis would state a requirement of 500 more employees ( $25,000/50 = 500$ ).

Although it is an effective tool for prediction, the weakness of this method is that it ignores other important factors like the increase in employee efficiency and the improvement in technology.

**Delphi Technique** The Delphi technique is basically a group-based systematic forecasting method. This technique does not require any face-to-face participation by the experts. In fact, the identity of the experts remains anonymous till the end of the whole process. In the first phase of the Delphi technique, a group of independent experts forecast the HR requirement of the organization on the basis of the input provided by the organization. In the second phase, a summary of the experts' forecasts is prepared and sent back to them for their opinions and suggestions. This act is repeated several times till a consensus is reached by the experts on the final HR requirements for the organization. This method aims at maximizing the benefits and minimizing the dysfunctional aspects of group decision making as it eliminates group dynamics and individual dominance from the process.<sup>14</sup> Another important merit of this method

is that the forecasting is more objective and reliable. However, the Delphi technique is time-consuming. Besides, it requires the participants' commitment and self-motivation.

**Normal Group Technique** This is also a group forecasting method. It is an interactive mode of decision making with a difference. Each expert in the group independently develops HR requirements and presents it before other experts in the group. The group evaluates each member's presentation and eliminates duplication, if any. Then, each member's proposal is relatively graded and the top-ranked proposal is selected as the final HR forecast. This technique is ideal for reaching a quick decision. It is possible to get immediate clarification from experts about their proposals and evaluate all the proposals collectively. The weakness of this method is the scope for bias and prejudice in the evaluation of the proposals.

**Managerial Judgement** In this method, forecasts are made about the HR requirements, usually by the senior managers of the organization. The forecasting here is based on the managers' subjective views on the possible human resource requirements in the future. The decisions are mostly based on the experience and expertise of the managers and there is little emphasis on data collection and interpretation. In this method, managers consider even non-quantifiable factors like trends, fashions, opinions and perceptions to determine the HR requirements. This method is suitable when the external environment remains unstable and the future cannot be predicted accurately through an analysis of the past events.

In the managerial judgment method, opinions of the managers are pooled together in two ways. These are: (i) the bottom-up approach and (ii) the top-down approach. Let us now see these approaches briefly.

**Bottom-up approach**— In this approach, HR forecasting is done in a decentralized decision-making style. The process of HR forecasting begins with the lowest level of the managerial hierarchy. The managers in charge of each division or department forecast the HR requirements on the basis of the organizational and unit-wise goals. This forecasting process is then moved up gradually to the higher levels of the management. Finally, the aggregate forecast of the HR requirements is developed. The basic philosophy of this approach is that the line managers alone can make the best forecast of the HR requirements. This is because managers are generally well aware of the work environment, the existing HR performances, the technology used, and the practical constraints. The weakness of this method is the possible bias in the HR's need estimation as the managers may tend to overstate their HR requirements. Besides, the managers at the lower levels may not have adequate exposure in forecasting and decision making. Also, the internal politicking and local interest might affect the objectivity of the whole process.

**Top-down approach**— The purpose of this approach is to have the minimum involvement of the line managers in HR forecasting. In this method, experts working at the highest levels of the management forecast the HR needs of the organization on the basis of the information available and the field expertise. The HR forecast is then affirmed by the top management after duly considering the financial and other implications of the forecast. The forecasting is generally more objective and resourceful than the bottom-up approach. However, the major limitation of this method is the likely indifference and lack of commitment on the part of the line managers.

Organizations often toe the middle line in HR forecasting by combining both the approaches to improve employee involvement and forecast accuracy.

**Work Study Technique** The work study technique aims at examining the business operations to achieve the optimum utilization of the human and physical resources available. The major purpose of this technique is to improve the employees' productivity and the organizational efficiency. When the results of the work study are implemented in the organization, they often affect its HR requirements. Thus, work study technique emerges as important for HR forecasting. This technique is normally carried out through method study and work measurement techniques. In method study, the methods of performing the job are critically reviewed to develop the best way of doing it and achieve labour cost reduction. Work measurement involves measuring the time needed for a successful performance of the job. The strength of the work study technique is its ability to predict scientifically the changes in the future HR requirements of the organization. The weakness of this method is that it can only supplement and not substitute other methods in determining HR requirements. This is because HR forecasting is influenced by several other factors like organizational objectives and changes in environment.

**Zero-base Forecasting** This method is a new entrant in the existing series of techniques to forecast the HR requirements of an organization. It requires line managers to justify the need to continue with the positions or jobs that fall vacant in their department. It does not consider any position as eligible for routine continuance. Line managers should state logically why the vacancy should not be abolished and why it is necessary to continue with it. Zero-base forecasting requires managers to conduct a comprehensive study of the utility of each vacancy before seeking replacements. This technique is derived from the widely popular concept of zero-base budgeting. The merit of this method is that it does not consider labour cost as an incremental expense but as a cost that should begin from zero. Its limitation is that it is tedious and time-consuming for the line managers to justify the utility of every job every time it becomes vacant.

**Simulation Model** Simulation model is a mathematics-oriented, software-enabled technique with growing applications in HR forecasting. It is a team-based approach towards HR forecasting. It helps the organizations in determining the current and future HR requirements of their business. In recent times, exclusive HR planning simulation models are available for HR forecasting. These models simulate the HR requirements and availability to determine the likely gap between the demand for and the supply of human resources. The working of the simulation model involves asking several what-if questions to develop alternatives in the forecasting process. For example, what would be the impact if the organization laid off two per cent of its workforce? What would be the impact on HR requirements if the organization increases its production by 5,000 units?

The merit of this method is that the simulation of a real-life situation enables managers to try different and drastic solutions to it without being troubled by its consequences. Organizations implement these decisions in real life only after they gain deep insight into the dimensions of the decisions. The limitation of this method is that it is not only costly but also time-consuming.

**Human Resource Allocation Approach** It is an HR forecasting method based on object-oriented simulation model.<sup>15</sup> This method has four components: (i) employees, including their education, experience and competencies, (ii) functions, including job structure and the changes in them, (iii) a matching model, and (iv) a formal rule structure comprising the

policy of the organization towards job allocation. This method allows comprehensive modeling of the interaction among these components. The matching model deals with allocation of different jobs to employees. It equates the competencies of the employees and the required competencies of the jobs. Depending on the outcome of the matching model, an organization can forecast any one of these situations: (i) The organization has the required number of employees with appropriate competencies; (ii) The organization has a shortage of employees to fill all the jobs; and (iii) The organization has employees either with inappropriate competencies or a rendered surplus due to non-availability of jobs. An organization would make HR forecasting based on the specific outcome of the matching model. This method permits an in-depth analysis of the factors affecting the HR forecasting of the organization. It involves a complicated estimation and, thus, is difficult to practise.

### **HR Forecasting—Estimation of Availability**

Once the human resource requirements of the organization are assessed, the next critical process is the estimation of the availability of the required number of employees. Through supply forecasting, an organization gets a fairly good idea about the availability of employees with the necessary KSA. It also locates the sources of persons suitable for employment. Usually, organizations have two prominent sources to meet their recruitments: internal and external. In HR forecasting of the employee availability, four scenarios are possible: (i) getting a sufficient number of employees from internal sources; (ii) getting them from external sources; (iii) combining both sources to get adequate numbers; and (vi) failing to get the required numbers of suitable employees from these sources. On the basis of the outcome of the HR forecasting, the organization will determine its future HR activities.

**Internal Supply of Employees** Internal supply refers to the availability of employees within the organization. The existing employees are the main source of recruitment for an organization. In fact, the exact determination of the availability of employees is a critical task for the HR managers. However, several techniques exist to measure the HR availability. We shall now discuss these techniques in detail.

**Replacement Charts** Replacement charts are efficient forecasting tools to find out the employees readily available for promotion to predetermined positions. Basically, replacement charts are records that contain details about the currently serving employees and the possible replacements for the present job holders. They also contain information about the potentiality of the existing employees for future promotion. The replacement chart may classify the potentiality of the employees as: (i) fit for immediate promotion; (ii) ready for promotion but requires a little training; (iii) good enough for the present job but not for promotion; and (iv) is found to be incompetent and needs to be replaced. Replacement charts are usually computerized by the organization to enhance their accessibility. These are periodically reviewed to make them up to date, and as and when replacements are required, these charts are referred to for choosing the employees fit for promotion. The merit of this method is that it clearly describes the mode of filling job vacancies through internal sources.

Replacement charts are classified into two categories:

**Position replacement chart**—It indicates the possible replacement candidate for each position in the organization.

**Personnel replacement chart**—It indicates the potential for promotion of the internal candidates for different positions of the company.

**Turnover Rate** Turnover indicates the number of replacements required during a year. The labour turnover rate provides information about the likely availability of employees in the organization. Certainly, any HR forecasting is effected by the labour turnover rate of an organization. Studies have shown that the turnover rate is closely associated with employee background and commitment.<sup>16</sup> Many organizations are including turnover rate as an HR forecasting tool to determine the future availability and requirements of employees. The turnover rate is normally calculated through the following equation:

$$\frac{\text{(Number of replacements during the year)}}{\text{(Average number of employees on the staff roll during the year)}} \times 100$$

On the basis of the results of the turnover rate for a few continuous years, an organization can estimate the availability of the employees within the organization for every year. Also, the organization can reprioritize the sources of its recruitment if there is any significant relationship between a specific source and the labour turnover rate.<sup>17</sup> For instance, if the attrition rate among the employees from a specific region is high, the organization may reduce recruitment from that region. Thus, the turnover rate acts as an important tool for prioritizing the sources and determining the availability based on past performance and utility value.

**Human Resource Management Information System (HRIS)** Human resource management information system (HRIS) is an online software that meets the various HR requirements of an organization. HR supply forecasting gains immensely from it. HRIS contains information pertaining to the skills, abilities, qualifications, job performance and job-related behaviour of the employees. It is capable of assisting the HR planner with the necessary information about the competency level of each prospective candidate available within the organization. The main merit of this system is its quick accessibility and dynamism. Its main weakness is its high cost of installation.

**Productivity Level** Productivity and performance levels also influence the HR forecasting of an organization. When the productivity levels increase, they bring down the HR requirements of the organization. In such cases, the employees rendered surplus by production increases are usually considered for other vacant positions. They are retrained and transferred to other jobs. Thus, HR supply forecasting includes them as the HR available for meeting the HR demands of an organization. A numerical example can help understand the situation.

Let us say that the average productivity of each employee in the organization is 120 units per day. The total employees' strength in the organization is 2,000. Now the gross production would be 240,000 units. If the productivity of these employees is increased to 130 units per person, then the number of employees required for maintaining the existing level of gross production would be approximately 1,846 (= 240,000/130). The surplus employees numbering 154 could now be used for fulfilling the future HR demands of the organization.

**Overtime and Absenteeism** The overtime policies of an organization can also influence its HR availability. When the organization allows overtime for its employees, its future HR demands could be met through the existing workforce. Similarly, the policies regarding holidays, shift system and retirement can also determine the availability of employees for an organization. Besides, absenteeism (unauthorized leave) can influence the availability of HR in

the organization critically. When absenteeism is well under control, it can help the organization achieve production goals with the presently available human resources. In contrast, the organization may require additional employees if absenteeism is continuously high. Thus, there is a direct relationship between the level of absenteeism and the HR requirements and availability.

**Succession Planning** The purpose of succession planning is to ensure that the transfers at the top levels of the management are carried out with the least disturbance to business. The system of identifying a potential successor for future openings within the organization is usually a long-term goal of the firm. Succession planning assists HR forecasting by making suitable persons available for the critical positions of the organization. The prerequisites for an effective succession planning are: (i) an objective and systematic performance evaluation system; (ii) goal-based executive development programmes; and (iii) a long-term approach towards human resource management. However, many organizations in India prefer to keep their succession planning informal and unwritten. Small and medium-sized organizations do not think about succession at all. (For a detailed discussion on succession, refer to Chapter 11).

**Other Factors** The movements of employees can influence the HR forecasting of an organization. When there is an outward movement of employees in the form of resignations, retirements, discharges and deaths of the employees, it may push up the HR demands of the organization. In contrast, the return of employees from long leaves like sabbatical, maternity leave, prolonged medical leaves, and recalls from lay-offs can push up its HR availability. Organizations constantly match the inward and outward HR movements to determine the labour surplus or shortage for a specific period. This helps in forecasting the HR needs of the organization. Besides, organizations publish job postings to know about the employees who aspire for the job vacancies created in the organization. A job posting is an internal advertising to inform the employees about the job availability within the organization.

In addition, there are a few quantitative methods available for forecasting the internal supply of the employees. These are the (i) Regression model, (ii) Time-series model, (iii) Econometric model, (iv) Linear programming model and (v) Markov Model.<sup>18</sup>

The choice of a specific HR forecasting technique depends on factors like the size of the organization, the level of competition, the nature of external environment, the characteristics of the labour market, and the condition of the economy.<sup>19</sup>

**External Supply** Generally, organizations get a major chunk of their HR supplies from external sources. The size and characteristics of the labour market usually determine the mode of HR forecasting for an organization. While determining the HR availability from external sources, the organization should consider factors like demographic changes, technological developments, labour characteristics, trends in mergers and acquisitions, government rules and regulations, the attitude of unions, deregulations, income tax rates, labour mobility, and the phases of economic cycle like depression and boom.

The availability of human resources depends on the nature and reputation of the industry in general and the organization in particular. Of late, globalization has encouraged organizations to meet their HR demands even through the employees located across the nation.

## Developing HR Plans and Programmes

Once the organization completes the process of forecasting HR requirements and availability, the next step is its comparison. The estimated HR needs are matched with the estimated HR

availability to identify the skill shortage or surplus. Comparisons of the HR availability with the requirements help the organization in determining the viability of the strategic business plans.<sup>20</sup> The outcome of such comparisons would be either the recruitment of more employees or a reduction of the existing workforce. In case of shortage of labour, the organization would undertake HR activities like recruitment and selection, training and development, and placement of employees. In the event of surplus, the organization might resort to employee reduction programmes like a hiring freeze, downsizing, voluntary retirement schemes, reduced working hours or days, and restricted overtimes.

It is a difficult task for an organization to properly respond to the situation arising out of the HR forecasting process. In a surplus scenario, an organization may resort to short-term measures like downsizing and reduced working hours. However, in shortage scenarios, the organization may require long-range, strategic responses like training and development to tackle the situation. Therefore, an organization should come up with the HR policies and programmes necessary to deal with the situation.

## **Requirements for Effective HR Planning**

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

- HR plans should be aligned properly with the organization's mission, visions and strategic goals.
- The active involvement and proper guidance of the top management is essential for the success of HR planning.
- HR managers should have a clear understanding of the requirements of HR planning and be aware of its critical role in goal accomplishment.
- Sustained communication and harmonious relationship between line managers and HR manager is absolutely essential.
- HR planning requires objective and comprehensive data for decision making. It is thus essential for an organization to maintain up-to-date and accurate HR records.
- HR planning should be viewed as a continuous process, and constant improvement-based feedback is a basic necessity.
- Forecasting techniques needed for estimating HR demand and supply should be chosen carefully on the basis of the merit of the situation.
- The system and process involving HR planning should be simple to understand and easy to operate for all those associated with it.
- Basically, human resources should be viewed as the core competency of the organization and also its essential competitive advantage in the market.

## **Benefits of HR Planning**

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

- HR planning helps the organizations in utilizing human resources better through effective planning and timely execution.
- It assists the organization in anticipating the future trends in the demand for and supply of labour.
- It replaces haphazard and thumb-rule approaches towards human resource management with a well-planned, systematic and scientific approach.
- It forms the basis for all HR activities including recruitment, training, performance evaluation, and compensation fixation and employee retention.
- HR plans are capable of serving both the long-term and short-term HR requirements of the organization.
- It provides adequate time to the organization to prepare itself and its workforce for any possible changes in the future like downsizing, lay-offs, mergers and acquisitions.
- It facilitates better information-sharing between the management and the unions and, thus, helps in improving industrial relations.
- It helps the organization in determining the career growth of each employee in a systematic manner.
- It ensures continuity in the business operations by enabling an organization to develop succession plans for critical job positions.
- It helps the organization in creating and maintaining a satisfied, well-trained and skilful workforce.

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

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

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

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

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

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

### **Union Resistance**

Employees and their unions often view HR planning as an anti-labour measure. They perceive HR planning as an attempt by the management to overburden them with increased workload.

They often look at HR plans as a prelude to subsequent undesirable actions like lay-offs and downsizing.

### **Cost-benefit Misconceptions**

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

### **Absence of Coordination**

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

### **Future Uncertainty**

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

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## **Summary**

1. Human resource planning is the process of identifying and then matching the HR requirements and availability in order to determine the future HR activities of the organization on the basis of the overall organizational objectives.
2. HR planning helps in assessing future recruitment requirements, utilization of available human resource to the optimum, developing training and retraining programmes, formulating compensation policies, determining management development including succession planning programmes, gaining competitive advantage, and shaping the future plans and strategies of the business.
3. The factors affecting HR planning are the strategy of the organization, its culture, the competitive and financial environment, the current organizational situation and the quantity and skill levels of the human resources required.
4. The steps in HR planning process are setting organizational objectives and strategies, assessing the external environment, preparing in-house skills and competencies inventory, HR forecasting—need assessment, HR forecasting—estimation of availability, and developing HR plans and programmes.
5. The techniques for forecasting HR requirements are trend analysis, ratio analysis, Delphi technique, normal group technique, managerial judgment, work study techniques, zero-base forecasting, simulation model, and human resource allocation approach.
6. The techniques for forecasting HR availability through internal sources are replacement charts, turnover rate, human resource management information system (HRIS), productivity level, overtime and absenteeism, and succession planning.
7. The barriers to the HR planning process are insufficient realization of the importance of HR plans, a glut in the labour market, union resistance, cost-benefit misconceptions, the absence of coordination, and future uncertainty.

## Review Questions

### Essay-type questions

1. Evaluate critically the factors influencing the human resource planning process.
2. Discuss the steps involved in the human resource planning process.
3. Enumerate the various techniques available to forecast the HR needs of an organization.
4. Examine the relevance of the different techniques used to forecast the human resources available to an organization.
5. Explain the conditions required for the successful development and execution of human resource planning.
6. Describe the barriers to an effective human resource planning process. Suggest also how to overcome these.
7. "Human resource planning is a precondition for efficient management of human resources." Elucidate.
8. "As the business becomes increasingly global, human resource planning becomes more significant and complex." Analyse the statement.
9. Assume yourself to be the HR manager of an imaginary company, prepare an HR plan for effecting a merger and acquisition proposal.
10. How will you determine the demand for and supply of human resource for a large organization?

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# Recruitment

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 Understand the features of recruitment and a recruitment policy
- 2 Explain the benefits of organized recruitment
- 3 Enumerate the steps in the recruitment process
- 4 Define the sources of recruitment
- 5 Understand the recruitment practices in India

Although Yes Bank started its operations in 2004, by 2008 it had a significant presence in corporate and institutional banking, financial markets, investment banking, business and transactional banking, retail banking, and wealth management. The company attributes its success to its high-quality human capital built painstakingly with the help of its HR practices, especially through its recruitment drives.

Since its inception, the promoters of Yes Bank have viewed human resources as a source of competitive advantage and as an enabler of the operational strategy of the bank. To begin with, the company depended a lot on employee referrals, consultants, and Web-based hiring to source the best talent. For instance, well-known HR consulting agencies like ABC Consultants, Planman Associates, Emmay and Kom/Ferry International were lending a helping hand in its

recruitment campaigns to attract top performers to the bank.

As a long-term measure, Yes Bank is striving hard to create a strong employer brand in terms of its employee value proposition. This, in turn, is integrally linked to the core values of the bank and all its HR systems and processes. The essence of employee value proposition is to enable employees to absorb organizational values and then share the same values with its valuable customers. The ultimate aims of the brand creation measure adopted by the bank are retaining talented employees in the bank and making it a preferred destination for superior human resources.

The case of Yes Bank makes it amply clear that recruitment strategies can contribute effectively to the accomplishment of organization goals. In this context, we shall now discuss recruitment in detail in this chapter.

## Introduction

The primary task of human resource management is to choose the right kind of person for the right job. This is because the ability of an organization is determined to a great extent by the ability of its workforce. The old belief that capital was fundamental to the progress of the organization does not hold good any longer as employers around the world have begun to believe that a smart workforce is the key to the success of an organization. In fact, it is with people that quality performance begins and ends.<sup>1</sup> However, the major challenge of HR managers lies not in choosing the right people but in locating and reaching out to these people and motivating them to offer themselves as prospective job aspirants.

Recruitment provides the first contact for an organization with its potential employees. An organization must have an effective recruitment policy and process to inform candidates about the job openings and persuade them to apply for the available positions. The efficacy of the recruitment process may be measured in terms of the quality and quantity of the applicant pool (the grouping of applicants based on the type of job) created by it. A good recruitment strategy should inform qualified individuals about employment opportunities, create a positive image of the company, provide enough information about the job so that applicants can make comparisons with their qualifications and interests, and also generate enthusiasm among the best candidates so that they may apply for the available positions.<sup>2</sup> Thus, recruitment needs to attract not just candidates but qualified candidates who meet the expectations of the firm. We shall now see the meaning of the term *recruitment* before discussing recruitment policy and process in detail.

## Definitions of Recruitment

Box 4.1 showcases the various definitions of *recruitment* that will provide an insight into the salient features of the term.

Thus, recruitment may be defined as a search for promising job applicants to fill the vacancies that may arise in the organization.

## Features of Recruitment

The characteristic features of recruitment may be classified as follows:

**Box  
4.1**

### Definitions

“Recruitment means attracting candidates, which is primarily a matter of identifying, evaluating and using the most appropriate source of applicants.”<sup>3</sup>

—Michael Armstrong

“Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization.”<sup>4</sup>

—Edwin Flippo

“Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule

and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.”<sup>5</sup>

—Dale Yoder

“Recruitment is the process of finding and attracting capable applicants for employment. The process begins when new results are sought and ends when their applications are submitted. The result is a pool of applicants from which new employees are selected.”<sup>6</sup>

—Werther and Davis

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

## Recruitment Policy

Recruitment policy is the guiding principle that governs the HR practices relating to recruitment. It provides a broad framework for the HR department to choose its priorities relating to recruitment. These priorities may include, among others, the gender equation, options for the socially marginalized and the physically challenged, and compassionate appointments for the dependents of the deceased and retired employees.

A good recruitment policy can save an organization from facing situations like unproductive tests and interviews due to non-availability of the right candidate in the applicant pool, compromising on the selection of good candidates, high attrition rate, low productivity, and low motivation among existing employees as a result of faulty policies. A methodical recruitment policy can ensure the availability of suitable persons at the appropriate time with the least disturbance to the production schedule. Factors like the image of the company, labour market conditions, government regulations, and the economic situations may also contribute to the success of the recruitment policy. Box 4.2 outlines the essence of a recruitment policy.

## Features of a Good Recruitment Policy

- A good recruitment policy should be in conformity with the relevant public policy and legislations.

### Box 4.2

#### Emphasis on “Learnability” in the Recruitment Policy of Infosys

The recruitment policy of an organization can have a significant impact on its recruitment process. In fact, recruitment policies are developed by organizations for the very purpose of streamlining their recruitment processes and ensuring consistency in the recruitment of people for various jobs. Besides, they enable HR managers to initiate the hiring process at any point of time during the year to select suitable employees.

The recruitment policy of Infosys is a case in point. While recruiting new employees, Infosys looks for qualities like superior academic records, technical skills, and ingrained capacity for hard work in all the candidates. Similarly, it concentrates on recruiting candidates who exhibit a high degree of “learnability”—the ability of a candidate to derive generic knowledge from specific experiences and apply it to new situations.

*Adapted from: [www.infosys.com](http://www.infosys.com).*

- It should supplement the HR policies of the organization. In other words, it must not contravene the provisions of the general personnel policies.
- It must display enough dynamism and progressiveness in its approach to attract the best talents for the organization.
- It must constantly strive to make the necessary human resources available to match the skills requirement of the organization.
- It should ensure equal employment opportunities for all sections of the society.

### **Factors Governing the Recruitment Policy**

The recruitment policy of an organization is an integral part of its HR policy. Obviously, the factors influencing the recruitment policy are the same that determine the HR policy of an organization. These factors can broadly be classified into two categories, namely, internal factors and external factors. Let us discuss the nature and the extent of influence of these factors in determining the recruitment policy briefly.

**Internal Factors** Internal factors are those factors that are well within the control of an organization. There are several internal factors that influence the recruitment policy of an organization. A brief description of the key ones is presented as follows.

**HR policy of the organization**—The overall HR policy of an organization shapes its recruitment policy. The HR policy presents specific guidelines to HR managers on various matters concerning employment. It states the intent of the organization about recruitment, selection, training, promotion, compensation and other aspects of human resource management. For instance, the organization may state in its HR policy that it believes in recruiting people who have the ability or potential to meet the high standards of performance that will be expected.<sup>7</sup> In accordance with such an HR policy, the HR department may prepare and execute its recruitment policy.

**Nature of the job**—The nature and position of the job in the organization have a bearing on the recruitment policy of the organization. The recruitment policies may be different for managerial and non-managerial positions in the management. For instance, an organization may have to recruit far and wide to fill key positions in the management. The non-managerial positions, on the other hand, may be filled by recruiting at a local level. Thus, the recruitment policy normally varies for different jobs, depending upon the education and technical background required to perform each job. Similarly, the number of vacancies also determines the recruitment policy. When the vacancies are large in number, the organizations may adopt multiple sources to identify the potential applicants.

**Reputation of the firm**—The goodwill enjoyed by an organization in the labour market also influences its recruitment policy. When an organization has a positive image among the prospective job-seekers, it can easily attract the required number of candidates with little effort. Often, the HR policies and practices adopted by an organization determine its image in the labour market. On this count, large organizations generally enjoy an advantage over smaller ones in attracting prospective candidates with ease.

**Conventional wisdom**—Organizations tend to adopt past practices in the future as long as the practices work well. They may change these practices only when it is necessary and unavoidable. The purpose of this approach is to ensure consistency in recruitment practices

for a fairly long period of time. However, excessive reliance on past practices may affect the dynamism and flexibility of the recruitment policy.

**External Factors** External factors are those factors that are beyond the control of an organization. These factors usually affect the quantity and quality of labour available to an organization. Hence, external factors should also be considered while framing the recruitment policy. These factors are as follows:

**Labour market conditions—**The demand for and supply of labour in the market influence the recruitment policy of an organization. When there is a shortage of talent, an organization may be forced to adopt aggressive recruitment programmes to build up its applicant pool. However, it can opt for simple recruitment practices if the supply of workers exceeds the demand. In India, the labour market situation is paradoxical. On one hand, there is a vast demand for skilled workers (like software developers, computer engineers and senior executives) in the market but they are in short supply. On the other hand, the supply of unskilled workers surpasses the demand for them in the market. Practically, it is not possible to determine the exact demand and supply of labour as the geographical boundaries of a labour market cannot be defined in any clear-cut manner.<sup>8</sup>

**Legal provisions—**Government policies and legal provisions also contribute to the formation of the recruitment policy of an organization. The government has enacted several legal provisions to protect the interests of the various sections of the society. Organizations consider those provisions while framing their recruitment policy. For example, reservations for various categories of the society like the scheduled tribes, scheduled castes, backward castes and others in public sector employment, the Child Labour (Prohibition and Regulation) Act of 1986, the Employment Exchange Act of 1959, and other such provisions have their own influence on the recruitment policy of an organization.

**Socio-economic factors—**The changing characteristics of society like the level of education, the average age of the people available in the market, the economic necessity of the labour force, the licensing and certification requirements to perform a job, the attitude of society towards the weaker sections like women and the physically handicapped have an effect on the recruitment policy of the organization. Similarly, the availability of technology as a substitute for the workforce also has an impact on it.

Depending upon the situation prevailing in the labour market, an organization may adjust its recruitment policy. For instance, when the supply of labour is restricted in the market, the organization may adopt one or more of the following ways:<sup>9</sup>

- Improve the characteristics of vacant positions, for example, by raising salaries or increasing training and educational benefits.
- Reduce hiring standards.
- Use a larger number of and more expensive recruiting methods.
- Extend searches over a wider geographical area.

## Recruitment Organization

In a small organization, line managers may handle all aspects of human resources work on their own. But as the organization grows in size, they may find it difficult to carry out

personnel duties in addition to their routine work and may devote insufficient time to this kind of activity. Consequently, large organizations usually establish separate HR departments and centralize HR activities like recruitment.

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

Centralized recruitment has many advantages for the organization:

- It ensures uniformity in the recruitment policy of the organization.
- It helps reduce cost since the administrative costs can be kept to a minimum; for instance, by placing common advertisements for all vacancies.
- It ensures the best possible utilization of the expertise of the HR professionals of the organization.
- It can avoid personal bias and prejudice in the process of recruitment and selection.
- It facilitates the maintenance of the centralized talent pool to cater to the needs of different departments.
- It allows line managers to devote more time to operational activities.

However, centralized recruitment suffers from the limitations of procedural delay. The need for centralization or decentralization ultimately depends on the situational necessities and the corporate policy and philosophy of an organization.

## **Recruitment Process**

The recruitment process is concerned with the procedure for the identification and classification of the potential source of human resources supply and effectively utilizing those sources. In the overall process of procuring and inducting human resources in the organization, recruitment is one of the critical sub-processes. A well-planned and well-managed recruiting process is essential for attracting high-quality applicants. Figure 4.1 illustrates the steps in a recruitment process.

## **Steps in the Recruitment Process**

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

### **Human Resources Planning**

The first step in the process of recruitment is the framing of human resources plans in tune with the organizational objectives. Human resources plans clearly estimate the levels and kinds of human resources required to ensure the accomplishment of the strategic plan of the organization. Human resources planning involves the estimation of how many qualified persons are necessary to carry out the assigned activities (personnel demand), how many people will be available (internal supply), and what must be done to ensure that the personnel supply equals the personnel demand at an appropriate point in the future (the reconciliation process). Thus, the first step is the estimation of the future HR requirements of the organization and a decision to meet the personnel demand with an adequate supply through recruitment.

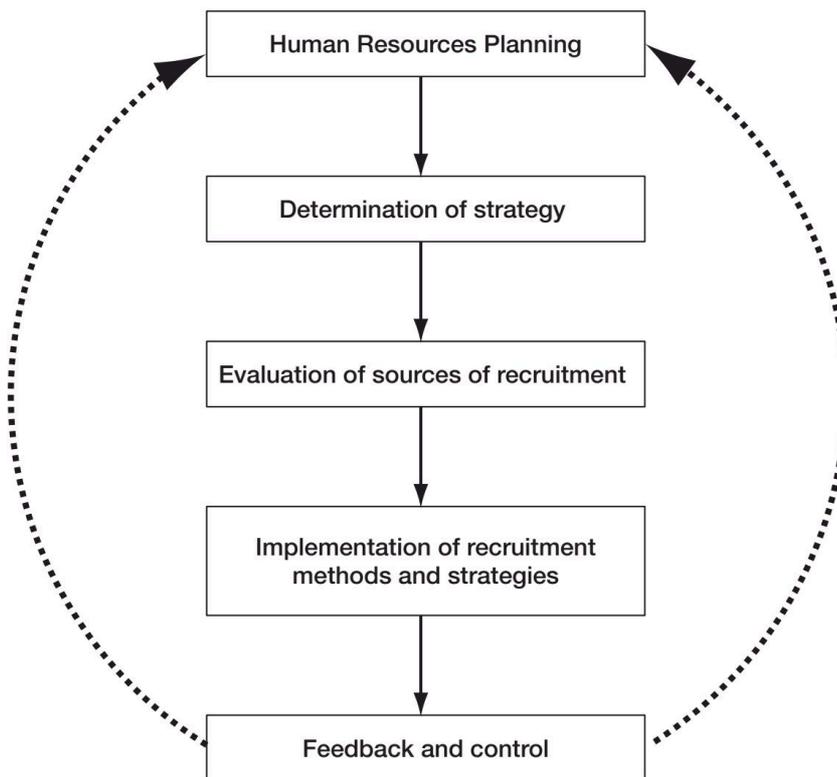


Figure 4.1

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**Steps in the Recruitment Process**

### Determination of Strategy

The second step in the process of recruitment is the determination of strategy for choosing the candidates. It may include, among others, the development of different sources of recruitment, the preferences to be followed, the recruitment method to be used and the series of activities to be undertaken. Job specification reports that specify the quality and quantity of personnel required for the organization help us in determining the strategy to be adopted. The strategy must be designed in such a way that it attracts as many applicants as possible.

### Evaluation of the Sources of Recruitment

Once the strategy is finalized, the next step is the evaluation of each source of recruitment. There are two important sources of recruitment in every firm, namely, internal and external. Internal sources include, among others, the existing employees, the former employees and employee referrals, while the external sources refer to all sources other than the internal ones. For instance, employment exchanges, employment associations, professional associations, public advertisements and educational institutions constitute external sources. Evaluation refers to the assessment of strengths and weaknesses of the sources available to an organization. One of the studies<sup>10</sup> mentions that the measurement refers to finding an answer to the question, “How many applicants did we generate through each of our recruitment processes?” Organizations can attract a good number of qualified applicants by combining one or more sources. The evaluation of each one of these sources has been done in detail later in this chapter under the section “Sources of Recruitment”.

## Implementation of Recruitment Methods and Strategies

Having evaluated the various sources of recruitment, the next stage is the finalization of the sources and the actual implementation of strategies. Regardless of whether the organization decides to recruit from internal or external sources, the recruitment method and strategy must be implemented in accordance with all relevant laws and regulation.

## Feedback and Control

As recruitment is a continuous process, it is essential to evaluate it to enhance its effectiveness. The quality of the applicant pool is an indicator of the efficacy of the recruitment process. If the process discourages the potentially qualified individuals from applying, limits the size of the applicant pool or results in inferior applicants becoming the employees of the organization, there is a need for a change in the recruitment process.

## Sources of Recruitment

Developing different sources of recruitment is essential for an organization. When the organization is successful in gathering a large applicants' pool, it can adopt a rigorous procedure in choosing the best employees from such a pool without compromising on quality. However, there is no single combination of resources and methods that will work well for all organizations or, for that matter, across all labour markets, or even within a labour market.<sup>11</sup> Thus, an organization should use multiple recruitment sources to build its applicants' pool. Box 4.3 shows multiple recruitment methods as a viable means to build an applicants' pool.

We shall now discuss in detail the different sources of recruitment mentioned in Figure 4.2.

## Internal Sources

Internal recruitment usually refers to filling open jobs with the current employees of the organization. It is a process designed to create sufficient interest among the current employees to cause them to formally indicate an interest in a given position. The position applied for may represent a promotion, a transfer, or even a demotion in a few cases.<sup>12</sup> It is to be understood here that there must be an active and voluntary participation of the existing employees in the process of recruitment to call it an internal recruitment. Internal sources normally consist of

### Box 4.3

#### The Multiple Recruitment Strategy of Tata Business Support Solutions

Organizations usually depend on more than one source of identifying the candidates to build a large applicants' pool. This enables them to adopt a rigorous selection process to choose the most suitable candidates for the job vacancies. However, each organization may follow a unique combination of recruitment sources, depending upon the nature and number of job positions available. For instance, Tata Business Support Solutions uses multiple recruitment sources

for choosing the best talents at all levels of the organization. These are:

- Direct walk-ins
- Referral walk-ins
- Consultant services
- Campus recruitments
- Recruitment advertising
- Internal job postings

*Adapted from:* [www.tata-bss.com/people2.htm](http://www.tata-bss.com/people2.htm).

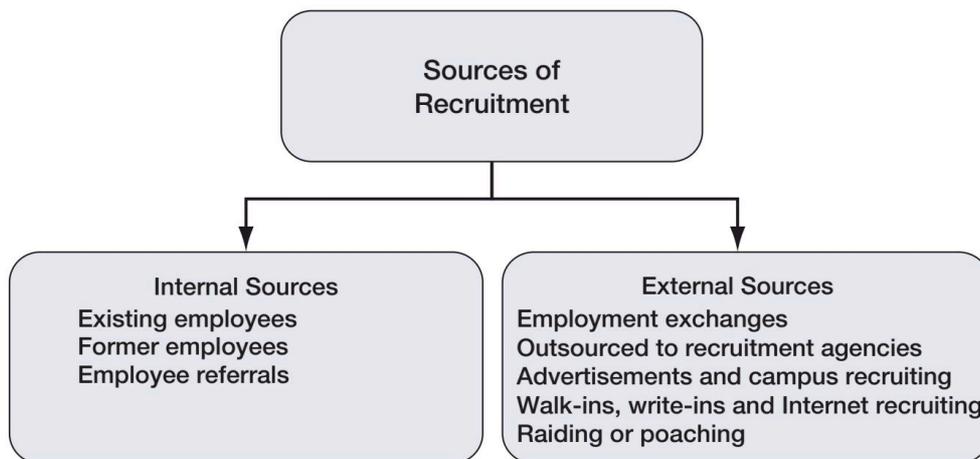


Figure 4.2

### Sources of Recruitment

the existing employees, the former employees, and employee referrals. Each of these sources has been discussed here briefly.

**Existing Employees** The most common source of internal recruitment is through existing employees. Organizations normally maintain inventories of qualifications to choose employees for suitable vacancies. Such inventories contain data such as the current employee's performance, educational background and suitability. The usual method of creating a pool of internal applicants is through job postings. A job posting refers to the process of advertising available positions to the employees. They evaluate job opportunities relative to their skills, experience, interests, and career goals and indicate their interest formally to their immediate supervisor or through the HR department. Promotions and transfers from among the existing employees are examples of internal sources of recruitment. However, there is a strong possibility that this method may create a bitter feeling amongst those not selected.<sup>13</sup> Box 4.4 highlights an internal recruiting style at Wipro.

**Former Employees** Former employees are also considered as an internal source of recruitment for they are acquainted with the policies and practices of the organization. Besides, they enjoy familiarity with the present employees in most cases. It is now increasingly common to take back employees who left the firm for various reasons. This is because

#### Box 4.4

#### The Job Posting System: A Tool for Recruitment

A growing number of companies in India are extensively using their in-house magazines and intranets to publicize the job openings available in their organizations and also the relevant eligibility criteria. They also encourage the suitable candidates to make use of these opportunities to effect job changes. These instruments provide the employees with the necessary flexibility and information to plan their progress, to apply for the post of their choice,

and to chart their own career. For instance, Wipro has a popular and transparent job posting system—"Wings Within", an intranet site to communicate all vacant job positions to the employees and also to prompt the eligible candidates to apply for job changes by making use of these opportunities.

*Adapted from: www.wipro.com.*

the ex-employees' performance and attitude are well known to the organization and the risk involved in choosing them is relatively less.

**Employee Referrals** This method refers to the practice of the present employees providing information about the candidates who are willing to be considered for the present vacancies. The applicants may be the friends or relatives of the referring employees. Referral is also a cost-effective source of recruitment. Its effectiveness lies in the assumption that the present employees will recommend only suitable candidates for the vacant jobs lest their own credibility be affected. Employee referrals are also an effective tool to stem the tide of attrition. When friends work together, they are less likely to leave a company soon. However, employee referrals may prove to be a major source of irritation in the employer–employee relations, if such referrals are rejected. Box 4.5 describes the role of employee referrals in the recruitment plans of select companies.

### Evaluation of Internal Sources

**Merits** Internal recruitment has the following merits:

- It helps the organization in offering career development plans to its employees.
- Internal candidates may require less orientation and training than outside ones.
- Internal recruitment can act as a good motivator and morale-booster if the employees see promotions as a reward for and recognition of their hard work and efficiency.
- It facilitates better utilization of skills, experience and qualifications of the existing employees.
- It is easy to induct existing employees into the work environment as they are normally familiar with the job, people and workplace.
- It is economical and less time-consuming when compared with external sources.
- It can enhance loyalty among the employees as it allows them to feel more secure about their future in the organization and thus ensures cordial industrial relations in the firm.

**Limitations** Although internal recruitment has a significant number of advantages, it has its limitations also. These are:

#### Box 4.5

#### Employee Referrals: A New Horizon in Recruitment

The toughest challenge facing HR managers today is finding talents necessary to meet manpower requirements of the rapidly growing organizations. Many companies are now looking at employee referrals as a viable, trusted and cost-effective recruitment source to identify suitable candidates for the job openings. Since skills' shortage is more pronounced in the IT sector of India, most IT companies depend critically on employee referrals for recruitment. For example, Cisco hires 55 to 60 per cent of employees through referrals in India, while in Infosys 40 per cent

of the hiring is done laterally. In the case of TCS, hiring through the employee referral channel has increased in the last two years by almost 175 per cent. Similarly, SAP Labs India hired nearly 60 per cent of its 3,000 new recruits through referrals as against 30 per cent the previous year. Again, out of a total addition of 4,400 employees, Patni recruited 2,000 through referrals.

Source: <http://www.citeman.com/1153-referrals-in-recruitment/>.  
Reproduced with permission.

- Internal recruitment may restrict the option of recruiting a more diverse workforce, thereby keeping a large pool of potential employees in the labour market untapped.
- It may provide an organization with a better applicant but not necessarily the best applicant as it may be hard to find the most suitable person for a job within the organization itself.
- Too much emphasis on internal recruitment may result in in-breeding, which may not be good for the future plans and prospects of the organization.
- Internal recruitment can affect the unity and integrity of the organization if the employees perceive the selection procedure as unfair and discriminatory.
- It may be difficult to infuse the organization with fresh talent and creativity if there is undue dependence on internal recruitment. For instance, employees may prefer to maintain the status quo, even if far-reaching changes and entirely new directions are required in the organization.

## External Sources

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

**Employment Exchanges** Employment exchanges have been established by the government to act as a liaison between job providers and job seekers. In fact, these exchanges were set up all over the country in compliance with the Employment Exchanges (Compulsory Notification of Vacancies) Act of 1959. The twin tasks of employment exchanges are to help employers locate suitable candidates for the vacancies arising in their organization and the job seekers get information about such job opportunities. The Employment Exchanges Act stipulates that all industrial undertakings with not less than 25 workers should notify their vacancies to the employment exchanges before filling them up. Employment exchanges would find a match for these vacancies with the job aspirants who have registered their names with them. The functioning of these employment exchanges cannot be termed as effective in India except that they are helpful to the government institutions in finding appropriate candidates. Table 4.1 shows the number of employment exchanges and the number of registrants in India over the past few years.

**Outsourced to Recruitment Agencies** Transferring the whole or a few parts of the recruitment process to an external HR consultant rendering recruitment services is called outsourcing recruitment. In recent decades, there has been a sizeable increase in the number of private employment agencies that engage themselves in the task of shortlisting and providing qualified applicants to the private organizations in need of them. These agencies specialize in recruitment activities and become professionals. They normally charge fees either from the applicant or from the organization or from both for the successful placements. In brief, these agencies are readily available sources of qualified applicants for an organization and also make the subsequent selection process a simple affair with no need to evaluate unqualified candidates. Box 4.6 highlights the growing popularity of outsourcing recruitment.

Table 4.1 Employment Exchange Statistics

Year	Number of Exchanges*	Registration ('in thousands')	Placement ('in thousands')	Application on Live Register ('in thousands')
1999	955	5,966	221	40,371
2000	958	6,042	178	41,344
2001	938	5,553	169	41,996
2002	939	5,064	143	41,171
2003	945	5,463	155	41,389
2004	947	5,373	138	40,458
2005	947	5,437	173	39,348
2006 (Jan to June)	947	3,621	105	40,676

\* (Data including University Employment: Information and Guidance Bureau)

Source: Department of Economics and Statistics, Tata Services Limited, *Statistical Outline of India, 2007–2008*. Reproduced with permission.

### Box 4.6

### Outsourcing Recruitment—A Competitive Advantage

The concept of outsourcing recruitment is gaining prominence in India. Outsourcing enables companies to save up to 40 per cent of their recruitment costs, which may be one of the main reasons for its growing popularity. In fact, many large and medium-sized business organizations in the country are outsourcing whole or part of their recruitment process. Lately, outsourcing has been tried for recruiting employees at almost all levels of the organization. Undoubtedly, the growth of the outsourcing industry has been phenomenal, especially in recent times. At present, the value of the recruitment process

outsourcing industry (RPO) in India stands at a whopping \$2.5 billion and it is projected to grow at an annual rate of 30–40 per cent for a few more years. For instance, Yes Bank outsources nearly 50 per cent of its recruitment processes. Wipro has outsourced its recruitment process to MeritTrac while Vodafone outsources its recruitment process to Alexander Mann Solutions (the RPO service provider).

*Adapted from:* [www.recruitment.naukrihub.com/outsourcing-recruitment.html](http://www.recruitment.naukrihub.com/outsourcing-recruitment.html).

**Advertisements** Printed advertisements are a preferred mode of external recruitment for several reasons. As printed advertisements reach many people in a short period of time, the vacancies can be communicated to the potential candidates quickly. They enjoy a wider coverage and better reach. They are cost-effective when the vacancies are large in numbers. Besides, it is possible to place anonymous advertisements and the employers may thus hide their identity if required. In the case of job positions that require special skills, qualification, knowledge and experience, the advertisements may be placed in professional or trade journals to reach the target group effectively. However, the success of an advertisement lies on its attractiveness, comprehensiveness and timing.

**Campus Recruiting** When company representatives are sent to college campuses to recruit applicants to create an applicants' pool from graduating classes, it is called campus recruiting. In recent times, with the advent of knowledge-based companies in large numbers, campus recruitment has emerged as an important method of external recruitment in India. This source of recruitment is ideal for entry-level managerial and professional jobs like

**Box  
4.7****L&T's Accent on Campus Recruitment**

Many companies have been increasing their campus recruitment drives steadily over the past few years to select fresh graduates. This obviously makes campus hiring one of the major sources of external recruitment in India. Many companies in India are highly optimistic about the future prospects of campus recruitment since businesses are growing at a constant pace. For instance, L&T, a reputed engineering company in India, is aiming

to achieve a 40 per cent rise in its campus recruitment intake in the coming years. Interestingly, L&T looks for requisite skills and knowledge in the fresh graduates in the form of value-system match, knowledge base, the skill to apply concepts, self-motivation, and commitment to and passion for excellence.

*Adapted from: www.larsentoubro.com.*

those of management trainees and technical personnel. The aim of any campus recruitment programme is to attract good candidates. Since college graduates have no first-hand knowledge of the visiting company, they generally go by its reputation and the growth and career prospects it offers. Nevertheless, college applicants prefer well-informed, objective, well-mannered and sincerely interested interviewers. Organizations regularly visit the campuses of premier institutions to recruit graduates. Wipro, L&T, Infosys, TCS, HCL, HUL and Citibank are just a few examples. Although this source of recruitment is apt for entry-level openings, it may not be viable or attractive for higher levels where the emphasis lies on experience.<sup>14</sup> Box 4.7 shows the increasing importance of campus recruitment.

**Walk-ins and Write-ins** When applicants directly write to the organization or just walk in to the office to state their interest for employment, we call it write-ins and walk-ins. The walk-ins may be self-initiated or in response to the advertisement placed by the organization in newspapers. Walk-ins and write-ins are helpful in strengthening the applicants' pool maintained by the organization and are a suitable method for immediate selection and placement. Many business process outsourcing companies (BPO) and other Information Technology (IT) companies are recruiting candidates through walk-ins to meet their huge labour demands.

**Internet Recruiting** Internet recruiting refers to placing an advertisement on the Internet for inviting applications from the potential applicants to fill the vacancies specified. In recent times, there has been a steep rise in the number of Indian companies opting for the Internet as a tool for recruitment. Organizations can also use computers to scan, digitize and process the applicants' resumes automatically. Electronic curriculum vitae (CVs) are used in Internet recruiting to collect information about the candidates. These CVs are scanned and converted into basic text format by the computer. The computer can also carry out the analysis of the CVs on pre-determined criteria to list the candidates who satisfy the requirements.

Internet recruiting has its own advantages. Compared to print media, it is economical and has a longer life span. It gets huge responses as it is relatively easy for the applicants to respond to the advertisements on the Internet. These factors have contributed to the growing popularity of Internet recruiting.

Large companies in general and IT companies in particular have their own dedicated recruitment sections on their Web sites to attract the prospective candidates to apply for jobs in their organizations, while others use the services of professional job sites. In India, several job sites provide recruitment services to their clients. A few popular ones among them are *Naukri.com*, *MonsterIndia.com*, *JobsAhead.com* and *Timesjobs.com*. Box 4.8 talks about the popularity of Internet recruiting agencies.

Box  
4.8

## Internet Recruiting: A New Horizon in Recruitment

Internet-based job sites are nothing but employment exchanges on the Internet. Lately, several business firms have been opting for such job sites to meet their growing HR requirement. Many professional job sites in India are now offering their services to their client organizations

for a fee. These job sites identify the potential candidates, shortlist them and then forward their name to their clients for further processing.

*Adapted from: www.rediffmail.com*

**Raiding or Poaching** Raiding or poaching refers to cajoling or attracting the employees of the rival organizations with attractive offers. Organizations may directly or indirectly contact the talented employees of their rivals and gradually persuade these employees to join them. Normally, some sort of secrecy is maintained in these operations till the mission is completed. These days, on-demand recruiting services (ODRS) vendors, the professional consultants who specialize in raiding and poaching operations, offer these services to organizations for a fee. Though considered unethical, this practice is widely prevalent in many Indian organizations, particularly in IT companies.

Naturally, companies are adopting several counter-measures to protect their employees from being poached by the rival organizations. Seema Shukla<sup>15</sup> lists out the following anti-poaching techniques usually adopted by Indian organizations to safeguard their workforce:

**Co-operation Agreements:** Two or more companies agree not to touch each other's employees.

**Access Restrictions:** Gate-keepers are trained to screen calls and block access to organization charts.

**Mock Raids:** Mock recruiters and fake recruitment ads are used to identify weak links.

**Benchmarked HR Practices:** Better HR practices are always a magnet for employees.

**Retention Bonus:** Cash incentives are linked to the years in service.

**Employee Contracts:** The employee promises not join the competition at once and also promises not to hire his/her former colleagues.

**Tit-for-Tat Threats:** Threats of legal action or reactive behaviour could stop some poachers.

**Empanelled Search Firms:** Hiring the competitor's recruiter or retaining more than one search firm could help.

**Reporting Bonuses:** Cash incentives are given to the employees who report the offer they receive.

**Information Security Protocol:** Employees are trained not to give out information about reporting relationships.

Box 4.9 highlights the anti-poaching techniques of select Indian companies.

In addition to these external sources, organizations are following several other methods to create and strengthen their applicants' pool. For instance, they conduct centralized job fairs in select cities to recruit prospective graduates from different institutions. In some cases, they utilize the services of the labour unions and labour contractors in order to recruit personnel. Personal contacts, professional associations, deputations from other firms, mergers and acquisitions and electronic media are other noteworthy sources of recruitment.

**Box  
4.9****Anti-poaching Techniques: Novelty is the Core**

To stem the tide of attrition, particularly due to poaching, organizations are coming up with novel ideas and schemes to protect their vulnerable workforce. These techniques and schemes need not be identical for all organizations. Every organization can devise its own style and strategy to tackle such situations.

The automotive giant Eicher has insured its top employees with LIC under an insurance scheme called the Key Man policy. A notable feature of this scheme is that the insured employee is entitled to the sum assured

only if he stays in the company for an agreed duration, otherwise the company would get a major share of the sum assured. Likewise, Mahindra & Mahindra offers 50 per cent of the employees' bonus (similar to stay-on bonus) in the form of a fixed deposit, which gets encashed only after the expiry of the mutually consented time period.

*Adapted from:* <http://www.india-today.com/btoday/20010916/feature4.html>.

## Evaluation of External Sources

**Merits** The external sources of recruitment enjoy the following advantages:

- They enable an organization to generate a large pool of applicants, thereby increasing its chances of choosing suitable candidates for the positions available.
- The organization can adopt a rigorous, competitive and uncompromising selection procedure to choose the requisite type of employees from the applicants' pool.
- The composition of the applicants' pool is generally broad-based and representative of the real labour market. In other words, external sources provide an equal opportunity for participation to all types of individuals and all sections of the society in the selection process.
- They allow an organization to bring in fresh talents, adopt innovations in practice and modify the existing work culture.
- They enable an organization to exploit the labour market conditions (changes in demand and supply) to their advantage to save labour cost.

**Limitations** The external sources of recruitment suffer from a few disadvantages. These are as follows:

- The existing employees might be frustrated if they do not get adequate opportunities for promotion. This could affect their motivation, commitment to work, and productivity.
- When compared with internal sources, these sources are costly and time-consuming. They may not be ideal when vacancies are to be fulfilled in a short span of time.
- Induction and socialization may not be smooth for the new employees as they may face resistance from the existing ones.
- The outside candidates may be susceptible to poaching and raiding by rival concerns as they may be less committed than the long-serving existing employees.
- There is a greater possibility of hiring a wrong person from external sources since the selection process alone may not enable the organization to assess the person's skills and suitability for a job correctly.

**Table 4.2 Categorization of Sources of Recruitment**

<i>Degree of Tightness in the Labour Market</i>	<i>Sources Used in Recruiting</i>
Loose (vast surplus of required skills in the labour market)	Direct and immediate recruitment such as walk-ins and write-ins
Intermediate (reasonable surplus of required skills in the labour market)	Employee and union referrals and employment exchange
Tight (reasonable shortage of required skills in the labour market)	Wide publicity through advertising
Very tight (acute shortage of required skills in the labour market)	Head-hunting like raiding and poaching

Ultimately, the source of recruitment for a particular job is determined on the basis of the nature of the job and the labour market conditions prevailing in that region. For instance, when there is a shortage of prospective candidates in the labour market for a job, the company should widen the search for the candidates. Table 4.2 shows the categorization of the sources of recruitment done by F.T. Malm.<sup>16</sup> This is done on the basis of the labour market conditions.

## Recruitment Practices in India

Since 1991, the business environment in India has been dynamic and continuously changing. Business organizations have been growing at a very rapid pace and globalizing. Consequently, organizations are now looking for a globally competitive workforce. These changing expectations and requirements have compelled the Indian industrial management to introduce changes in every sphere of HR activity, including recruitment. There is a marked shift in the approach to the concept of recruitment strategy and process.

Companies, now, judiciously combine the traditional recruitment sources and the modern ones to procure the best-of-the-breed labour force. They are increasingly searching for human resources best suited to achieving their long-run objectives and strategies rather than searching for only prospective employees. At managerial levels, they place greater significance on professional competence and academic excellence apart from qualities like analytical ability, teamwork and leadership potential, communication and innovation skills, together with a practical and structured approach to problem solving. The major sources of recruitment in India are explained as follows:

### Internal Sources

Many organizations in India are considering current employees and the referrals provided by them as important internal recruitment sources. Let us discuss these sources now.

**Existing Employees** Indian organizations, particularly the IT companies, are focused more on training employees to make them fit to be considered for future openings in the company through promotions and transfers.

**Employee Referrals** When recruitment is externally sourced, entry-level recruitment costs are substantial for a firm, and this can further go up in the case of senior-level

recruitments. When the same hiring is routed through employee referrals, the cost comes down substantially. Indian companies have now started to look at employee referrals as a major source of recruitment. Many companies have already put a ceiling on external hiring and are busy offering attractive bonuses and cash incentives to those employees who provide referrals. This policy of getting employees to recommend their friends and relatives makes great financial sense to organizations, especially for smaller organizations, for which employee referrals or personal contacts are an important cost-effective source of recruitment.<sup>17</sup>

## External Sources

Advertising, placement agencies and Internet recruiting are the three major sources of external recruitment in India. These sources together control a sizeable portion of recruitment market. We shall discuss these sources briefly.

**Advertising** This is a traditional mode of recruiting employees in India. Advertisements in print media like magazines, newspapers and journals are preferred by all kinds of organizations, including the small ones, to reach out to the prospective candidates. Newspaper advertisements together with employee referrals and consultants remain the major source of recruitment for many small scale businesses.<sup>18</sup> But, the problem with advertisements is that they may not provide complete information to the job aspirant about the job offered.<sup>19</sup> The prospective applicants may hesitate to respond on the basis of inadequate information.

**Private Employment Agencies** Indian employers are increasingly realizing the utility of entrusting private employment agencies like HR consultants with the task of choosing suitable persons for openings at senior levels. This saves the time of top-level management, who, otherwise, would get involved in the time-consuming recruitment and selection process. However, government organizations in India are usually required to meet their manpower needs through public employment exchanges.

**Internet Recruiting** This is another rapidly growing source of recruitment in India. A few companies have their own dedicated recruiting sites on the Internet while others employ the services of professional job sites.

The other notable sources of recruitment in our country are walk-ins (normally to fill immediate and urgent vacancies), gate-hiring (by manufacturing firms, of casual workers who stand at the entrance of the factory), and campus recruiting (mostly by information technology companies).

The major sources of recruitment used by Indian organizations, especially in relatively smaller organizations, are the friends and relatives of the proprietors and the employees, advertisements in newspapers, employment exchanges, placement agencies, and labour contractors who have vast pool of workers. Of these, advertisements in newspapers and placement agencies are the sources preferred for executive categories while employment exchanges, walk-ins and labour contractors are suited better for clerical and similar cadres.<sup>20</sup>

The Indian Institute of Personnel Management identified the important sources of recruitment in India as temporary workers (*badlis*), employment agencies, casual callers (walk-ins or write-ins), referrals by existing employees, advertisements (print and electronic media), and labour contractors.<sup>21</sup>

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## Summary

1. Recruitment may be termed as a search for promising job applicants to fill vacancies that may arise in an organization.
2. It aims to discover and determine the sources of manpower to be utilized in tune with the strategic goals of an organization.
3. Recruitment policy is a guiding principle that governs the HR practices relating to recruitment.
4. Recruitment is one of the critical sub-processes in the overall process of procuring and inducting human resources into the organization.
5. The steps in the recruitment process are human resources planning, the determination of strategy, the evaluation of the sources of recruitment, the implementation of recruitment methods and strategies, and feedback and control.
6. Organizations have two sources of recruitment. One is internal recruitment, which refers to filling open jobs with the current employees of the organization, and the other is external recruitment, which refers to reaching out to the external labour market to meet the labour requirements.
7. Examples of internal sources are the existing employees, the former employees, and employee referrals. Examples of external sources are employment exchanges, private employment agencies, advertisements, campus recruiting, walk-ins and write-ins, Internet recruiting, raiding or poaching.

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## Review Questions

### Essay-type questions

1. Explain the steps in the process of recruitment.
2. What are the key recruitment practices followed in Indian organizations?
3. Enumerate the kinds, merits and limitations of the various internal sources of recruitment.
4. Discuss critically the various external sources of recruitment. What are the relative merits and demerits of this source?
5. You have been appointed as the human resource manager of Renaissance Industries Limited, Bangalore. It proposes to select management trainees for its different departments. What sources should it explore and how should the trainees be selected?

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# Selection

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 Understand selection
- 2 Differentiate between recruitment and selection
- 3 Enumerate the steps in the selection process
- 4 Understand the meaning and types of selection tests
- 5 Develop a test programme
- 6 Enumerate the objectives and kinds of selection interviews
- 7 Understand the selection process in India

Compulsory background verification, reference checks and ascertaining the authenticity of the candidates' CVs as part of the selection process is something that is increasingly important. Several companies, including a few reputed software firms, had to terminate the services of some of their employees when they detected false information in their curricula vitae (CVs), which they had tried to pass off by furnishing fake documents. Serious discrepancies were found in the areas of work experience, academic

qualifications, professional skills, and earlier compensation packages in their CVs. In addition to the loss of time and resources entailed by the defective selection process, abrupt actions against the erring employees are also likely to derail the manpower plans and the production schedules of the organizations. It is, therefore, important for an organization to have a proper selection process. This chapter looks at the selection process in detail and how businesses can use it to recruit the best candidates.

## Introduction

Once the applicant pool is prepared, the next step for the HR department is to implement the predetermined selection process in order to select the best candidate for the job. The aim of this process is to finally end up with candidates best suited for the vacant jobs. The organization

**Box  
5.1****Definitions**

“Selection is the process by which candidates for employment are divided into two classes—those who will be offered employment and those who will not.”<sup>2</sup>

—Dale Yoder

“Selection is a managerial decision-making process to predict which job applicants will be successful if hired.”<sup>3</sup>

—David A. Decenzo

“Selection is the process of choosing from among the candidates, from within the organization or from the outside, the most suitable person for the current position or for the future position.”<sup>4</sup>

—O. Donnell

“Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job.”<sup>5</sup>

—Thomas H. Stone

“Selection means offering jobs to one or more applicants from the applications by establishing the ‘best fit’ between job requirements on the one hand and the candidate’s qualifications on the other.”<sup>6</sup>

—Arun Monappa and Mirza S. Saiyadain

must be able to distinguish the applicants who are most likely to perform well as employees from the others who are less suitable.

Of late, the hirers are attempting to measure even the candidate’s mental make-up and personal values to decide how closely they match those of the organization.<sup>1</sup> Obviously, selecting the most suitable candidate for a job is never an easy task for an organization, but it becomes all the more difficult when the organization has to screen candidates to fill vacancies that are critical to the organization. This is because any faulty decision in the selection of employees can have a far-reaching impact on performance and future of the organization. Box 5.1 has some of the definitions of the term *selection*.

We may conclude that selection is a systematic process of identifying suitable candidates for the jobs available in the organization from the available applicant pool.

## Differences Between Recruitment and Selection

Though the terms *recruitment* and *selection* are often treated as interchangeable, there are differences between the two terms. Though few, they are worth mentioning. Table 5.1 shows the differences between recruitment and selection.

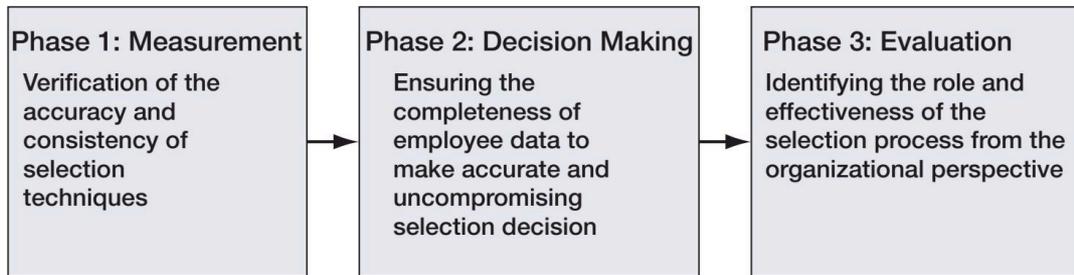
## Phases of the Selection Process

As there is no commonly accepted selection process available, organizations may have to adopt different selection processes for different jobs, depending upon their nature and requirements. Nonetheless, the aim of any selection process is to gather relevant and critical information about an applicant at every stage of the process in order to determine his/her suitability for the job offered. The selection process broadly involves measurement, decision making, and evaluation, as explained in Figure 5.1.

A good selection process must be able to distinguish applicants who are likely to perform well in the job from those who are not. An organization adopts various steps in the selection

**Table 5.1 Differences between Recruitment and Selection**

<i>Recruitment</i>	<i>Selection</i>
1. The process of procurement begins with the recruitment of candidates from different sources.	The process of procurement ends with the selection of the necessary number of suitable candidates for the job.
2. Since the aim of recruitment is to gather as many applicants as possible for the jobs in an organization, it is a positive task.	Selection attempts to eliminate applicants in different stages to end up with a smaller number of requisite candidates, and is thus a negative task.
3. Recruitment is comparatively easy as it does not require expertise on the part of the recruiters to build an applicant pool.	Selection is a difficult job as it requires specialized knowledge and skills on the part of the selectors to choose the best candidates by predicting their likely performance.
4. Recruitment is basically a searching function as it searches for prospective candidates for the jobs offered.	Selection is basically a screening function as it screens the candidates for their suitability for the job offered.



**Figure 5.1**

**Phases of the Selection Process**

*Adapted from:* Cynthia D. Fisher, Lyle F. Schoenfeldt and James B. Shaw, *Human Resource Management* (New Delhi: Biztantra, 2004).

process to predict the likely performance of each applicant in the job. These steps are briefly presented as follows:

1. **Employment Application Forms/Blanks:** These refer to a standardized format to collect the necessary information about an applicant to determine his suitability for the job.
2. **Selection Test:** This is a psychological test for comparing and contrasting the behaviour of two or more persons on the basis of a standardized measure in order to predict their likely job performance, if selected.
3. **Selection Interview:** This is a face-to-face conversation with the candidate to collect the required information that could not be collected through other selection tools to determine his suitability for a job.
4. **Reference Check:** This is a process of cross-checking information provided by the candidates in different stages of the selection process with the references cited by the candidates themselves.

5. **Physical Examination:** This is a medical test to ensure that the candidates selected meet the physical requirements of the job.
6. **Job Offer:** A job offer is a formal communication from the employer to the selected candidate that specifies the details of an offer of job. This job offer generally provides information about job description, reporting authority, pay particulars, and leave eligibility.

Once suitable candidates are identified at the end of the selection process, the organization would proceed with the issue of job offers to the selected candidates. Normally, the candidates respond by accepting or rejecting such job offers. Box 5.2 outlines the selection process of select companies.

Now we shall discuss in detail the various phases of selection process adopted by organizations to choose their employees. Figure 5.2 enumerates the steps involved in a selection process.

## Employment Application Forms/Blanks

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

### Box 5.2

#### The Selection Process for Choosing the Most Suitable Candidates

Different organizations may adopt different selection processes to choose suitable candidates for job openings. Even within the same organization, the length of the selection process may differ, depending upon the nature and number of job openings. It is not necessary to go through the entire length of the selection process every time and for every job. A curtailed selection process may be enough for certain jobs while others may require an exhaustive process.

For instance, Larsen and Toubro (L&T)'s selection process for campus recruiting comprises written tests to measure the intelligence and engineering aptitude of

candidates and a technical interview to choose bright engineering graduates from the applicants' pool created through campus interviews. The selection process of Intergraph, a Hyderabad-based software company, consists of resume screening, followed by a technical test and two rounds of interviews. In normal circumstances, the whole process of selection from the time of the decision to appoint someone to the final selection could last about 45 days.

*Adapted from:* [www.hinduonnet.com](http://www.hinduonnet.com) and [www.larsentoubro.com](http://www.larsentoubro.com).

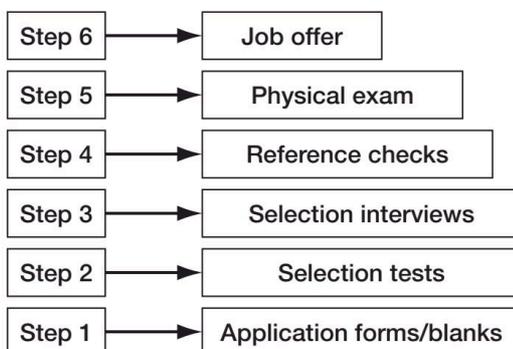


Figure 5.2

### Steps in the Selection Process

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

Some organizations use weighted application blanks to gather relevant information and also to predict the chance of success for a candidate in the job. This is possible when the organization is aware of the statistical significance of the relationship between the bio-data characteristics and the chances of success in the job. Suppose an organization is convinced that the presence of certain characteristics or skills in a candidate contributes to his/her success in job performance. Then, that organization may give more weightage to such characteristics in its application blanks. Such application blanks are known as weighted-application blanks. For instance, if an organization is convinced that good communication skills in sales personnel contribute to their success in selling, then, it may give more weightage to this particular skill in its application form.

Application forms normally solicit the following information from the candidates:

- a) **Biographical information** includes the name of the applicant, father's name, date of birth, age, gender, nationality, physical features (height, weight, and so on), marital status, identification marks, and family details.
- b) **Educational qualifications** such as courses completed, year of passing, subjects studied, and percentage of marks secured, division or rank obtained, name of the educational institutions, and scholarship awarded.
- c) **Work experience** like positions held, tenure in each position, nature of job, pay and other benefits, details about the present and previous employers, explanation for break in employment.
- d) **Pay and other perquisites** such as information about candidate's expectation about salary and other benefits.
- e) **Additional information** like participation in sports, games, cultural activities, nation-building activities such as NSS, NCC, and honours obtained.
- f) **References** Names and addresses of a few references that have knowledge about the applicant and who may be contacted by the organization, if required. Box 5.3 lists the guidelines used for evaluating an application form.

### Box 5.3

#### Guidelines for Evaluating an Application Form

While evaluating an application form, adherence to the following guidelines can ensure that all the relevant information about the candidates are procured to decide whether the applicant's case is fit for further evaluation by the HR department:

1. Finding out why the applicant left the last job
2. Assessing the applicant's educational background
3. Examining the application to assess his self-reliance
4. Determining whether the applicant exhibits adequate intelligence while responding to the questions
5. Looking for clues regarding the applicant's attitude and behaviour
6. Evaluating the applicant's employment records
5. Ascertaining the quality of applicants' writing
8. Making use of the application details to decide on the nature and content of the interview

*Adapted from: "Recruitment", Personnel Journal (January 1989): 22-24.*

**Box  
5.4****Definitions**

“A psychological test is a standardized measure of behaviour.”<sup>7</sup>

—Wayne F. Cascio

“A test is a systematic procedure for comparing the behaviour of two or more persons.”<sup>9</sup>

—Cronbach

“A test is a sample of an aspect of an individual’s behaviour, performance and attitude.”<sup>8</sup>

—Milton M. Blum

## Selection Tests

Since there are differences in the abilities, aptitudes, interest and personality traits of individuals, it is essential to measure these differences effectively and accurately to determine their suitability for the jobs. This may be done with the help of selection tests, also called psychological tests. The term *test* is used here as a standardized measure of behaviour (for example, attitudes, interest, and aptitude) of the applicants. There are several definitions of a test. Box 5.4 lists these definitions.

We may define a test as a standardized assessment of a sample but critical behaviour of candidates to determine their suitability for the job. One of the common ways to test candidates is to test them psychologically.

### Characteristics of Psychological Tests

The common characteristics of psychological tests based on the definitions listed in Box 5.4 may be summed up as follows:

**Objectivity** Objectivity in tests refers to the validity and reliability of the measuring tools. Reliability in tests refers to their consistency. A reliable test is one in which the scores are consistent even if a person takes the same test on different occasions or takes two alternate forms of the same test. The validity of a test refers to the correctness of the inferences made on the basis of the test results. It ensures that the test is job-related and the test performance is the real predictor of the subsequent job performance of a candidate. These two aspects together determine the objectivity of a test.

**Standardization** Standardization means that there is uniformity in the procedure followed in conducting the test and in the terms and conditions associated with the test, such as time limit, instructions, the tester’s state of mind and health, and the availability of required facilities.

**Sample of Behaviour** It refers to test contents that should predict the representative sample of eventual behaviour of the candidates since a total replication of reality in any testing condition is impracticable. Thus, the behaviour predicted through a test need not strictly resemble the actual behaviour that the test is supposed to predict.

**Uses of Psychological Tests** Psychological tests are useful for HR managers in several ways. These tests are essential for

- Selecting and placing employees
- Determining their career plan

- Assessing their job performance and potential
- Counseling them in conflicting situations

Obviously, different situations need different kinds of tests, depending upon the nature and requirements of a job. Each test must have norms to compare and contrast the performance of the candidates. However, in practice, many organizations lack clear-cut norms for judging the performance of these candidates.<sup>10</sup>

**Types of Psychological Tests** Now we shall discuss in detail the nature and utility of tests and also their applicability in different situations under four broad categories—ability test, personality test, interest test, and honesty test. As specified in Figure 5.3, an ability test is further classified as intelligence test, aptitude test and achievement test.

**Ability test**— Ability refers to the capacity of a person to do a particular job. The ability of a person commonly denotes the combination of mental ability (like memory and inductive reasoning), physical ability (like stamina, body coordination and physical strength) and motor ability (like finger dexterity and reaction time). To measure these abilities, an organization may resort to any one or more of the following tests:

*Intelligence (IQ) test*— The aim of an intelligence test is to measure the general intellectual abilities of a person. This test assesses the memory, vocabulary, verbal comprehension, thought fluency, inductive reasoning, and numerical skills of a candidate. The uniqueness of this test is that it measures several abilities of the candidate and derives the intelligence score. This score is then compared with the average intelligence score of the organization to determine whether the candidate is above or below the average. To know the Intelligence Quotient or IQ of a child, the equation

$$IQ = (\text{Mental age/actual age}) \times 100$$

may be used but it has little relevance for adults.

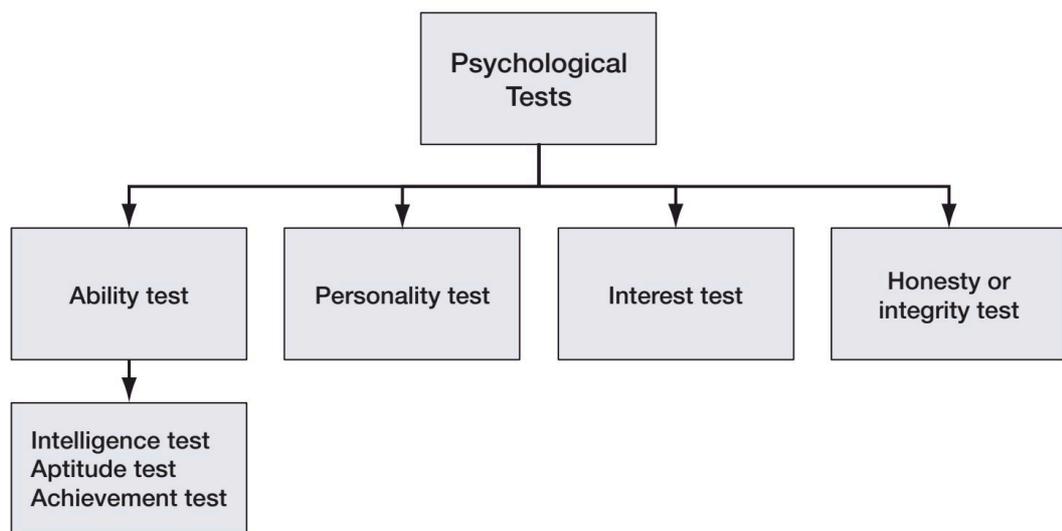


Figure 5.3

**Types of Psychological Tests**

**Aptitude test**—An aptitude test measures the latent talents of a person that may be crucial to performing the job successfully. This test is normally given to those applicants who have no previous experience in that field. Hence, aptitude tests are appropriate for predicting the future ability and/or performance of the candidate. These tests are found to be more effective for jobs requiring mechanical and spatial relationships like those of engineers, designers and machinists. Box 5.5 highlights the status of psychometric tests in India.

**Achievement test**—The aim of an achievement test is to measure the knowledge gained by a person in his/her job. It evaluates the claims made by the job holders regarding their performance and skills acquired in the job. It is also called proficiency test, performance test or trade test. A typing test is an example of achievement test as it intends to measure the speed and accuracy of a typist in his job. The tests that measure the subject knowledge of pupils at schools and colleges are also examples of an achievement test. Similarly, organizations test the job knowledge of their employees to determine their suitability for future promotions and also for salary fixation.

**Personality test**—Personality refers to the sum of the characteristics of a person which reflect on his/her response to a particular situation. The characteristics may include, among other things, introversion, inter-personal skills, motivation, stability, self-belief, courage, attitude and temperament. A personality test proposes to assess and predict these basic characteristics of a person. Its results are useful in predicting the future performance of the candidate. Projective tests are ideal for evaluating the intangible characteristics that make up the personality. Through these, the psychologists measure the response or reaction of the candidates, for example, to confusing stimuli (input) in the form of a distorted picture, incomplete information or even a simple ink dot. The response reveals the candidates' inner qualities, which are then correlated with the job requirements. Rorschach Blot Test (RBT), Thematic Apperception Test (TAT), Minnesota Multiphasic Personality Inventory (MMPI) and Myer-Briggs type indicator (MBIT) are some of the popular forms of personality tests. In countries like France and Israel, many companies are using graphology—the analysis of handwriting—as a tool for personality measurement.

### Box 5.5

#### Psychometric Tests in the Selection Process

Psychometrics is concerned with the measurement of psychological variables such as aptitude for various kinds of jobs. The fundamental objective of a psychometric test is to help screen candidates at the initial stage of recruitment. It is a tool to help understand the personality of the potential candidates at the selection stage, and to exploit his latent qualities to his and the organization's advantage at a future stage. In fact, adding a psychometric test to the selection process can increase the accuracy of the candidate's assessment to 85 per cent.

Though several top companies like TCS, InfoTech, Escosoft Technologies, UB, Bharti and LG have

incorporated psychometric tests in their selection process, this concept is yet to gain recognition as a prominent selection tool in India. This could be due to the negative perception among the companies that there is no immediate benefit available to the employers from the psychometric test, which measures the latent talents of the candidates. Thus, they attach more importance to measuring technical knowledge of the candidates rather than to assessing the psychological aspects.

*Adapted from:* [www.itpeopleindia.com/20030120/cover.shtml](http://www.itpeopleindia.com/20030120/cover.shtml).

**Interest test**—A person's mental and physical abilities are not sufficient to achieve a desirable job performance. Apart from these, the person must have a strong and inherent interest for that job. The aim of the interest test is to know the interest, attitude and preference of a person towards the job offered. Its purpose is to identify the interest of a person, say, in marketing, accounting, mechanical, computational, and clerical activities to determine the job best suited for him. The Kuder Preference Record and Strong Vocational Interest Blank are some well-known interest tests.

**Honesty or integrity test**—Organizations may feel a need to ascertain the honesty of the candidates to ensure that they have not furnished any false information in the application form and also to safeguard themselves from frauds and misappropriation. In an honesty or integrity test, the questions are asked in such a way that the attitude and actual behaviour of the candidates can be found out. However, the reliability and validity of the honesty tests have not been conclusively proved and they are rarely used in India.

**Evaluation of Psychological Tests** Organizations consider psychological tests an important tool to evaluate and hire employees. This is due to the fact that these tests can help the employers to get that information which may not be accessible in other phases of selection process. We shall now see a brief description of the merits and limitations of psychological tests. Box 5.6 outlines the relevance of web-based recruitment efforts of an Indian IT company.

**Merits**—Psychological tests offer variety of advantages to an organization. These are listed as follows:

*Objective in evaluation*—Selection tests are reliable and impartial tools to measure and choose the best candidate for a job. When compared with other selection techniques like interviews, the tests are free from personal bias and prejudice.

*Ideal for large groups*—The inherent advantage of a selection test is that this can be simultaneously administered to a large number of applicants. When suitable candidates are to be chosen from a big pool of candidates, selection test is the only time-saving and cost-effective technique.

### Box 5.6

#### Web-based Tests at Wipro Technologies

Web-based tests are also called online pre-employment testing programs. They are gradually replacing the conventional form of paper-and-pencil tests. Through this method, the applicants are tested for mental ability, analytical skills, aptitude, and interest. Information technology firms, especially call centres, are applying this method effectively to test the job aspirants. The case of Wipro Technologies is worth mentioning here.

Wipro Technologies adopts different techniques for recruiting the best talents in the company. One such technique is the utilization of services of professional recruiters

to get the required talents from the labour market on a time-bound basis. Wipro has a web-based recruitment process called "Synergy" to attract and empanel these professional recruiters termed as "Resource Partners". In fact, Wipro uses Synergy effectively for empanelling professional recruiters, who would in turn provide the best of talents to the organization. Throughout the recruitment process, Wipro remains in touch with the resource partners through Web-based techniques.

*Adapted from:* [http://careers.wipro.com/consul\\_ps\\_story.asp](http://careers.wipro.com/consul_ps_story.asp).

*Predictor of intangible talents*—Selection tests are capable of predicting the talents and skills that are invisible and abstract in nature. They can measure not only the performance but also the potential of the prospective candidates.

*Goal-specific and target-oriented*—Employers have the option to choose from a variety of selection tests to measure the specific quality of an applicant. For instance, achievement tests may be used to identify the existing performance of the applicants while aptitude tests are appropriate for measuring the future performance.

*Record for future*—The records pertaining to the selection tests can be preserved for future references and researches. The analysis of the results may provide way for further improvement in the content and conduct of the test. The effectiveness of a test can be understood by comparing the actual job performance with the test performance of the employees.

**Limitations**—Though selection tests enjoy several advantages, they suffer from a few limitations. For example, tests can be used only as supplements rather than as a substitute for other methods of selection like application forms and interviews. The other limitations are:

*Lack of flexibility*—Since the content of the selection tests are predetermined, it can not be altered often to suit the changing situation. Further, as it is an impersonal technique, it may overlook the critical individual differences vital to the job performance.

*Unsuitability for smaller groups*—Selection tests are not cost-effective for choosing the best candidate if the number of applicants is small. It requires a lot of time and money to prepare these tests and check their validity and reliability.

## Developing a Test Programme

Since the purpose of a test is to predict how the applicant would perform if selected for the job, organizations need to make a strategic decision regarding the development of a testing programme. They must begin the preparation for planning, development and administration of the testing programme with due care and diligence. The steps given below are necessary for a successful testing programme:

**Determining the Job and Skills Requirements** The first and foremost step in the process of developing a testing programme is to predetermine the qualities and skills that are essential for an effective job performance. Job description specifies the duties and responsibilities associated with the job while job specification mentions the human qualities necessary to perform the job. It is also essential to identify the human qualities that can predict success on the job. These human qualities are called predictors.

**Deciding the Types of Test** Once the human qualities essential for the successful performance of a job are identified, the next step is to determine the series of tests to be undertaken to measure these qualities. While choosing the tests, the reliability, validity and relevance of the results of the tests are important considerations. Depending upon the requirement, the organization may develop its own testing tools or it may make use of the published testing tools available.

### Developing the Success Criteria

The next course of action is to select the relevant criteria for each job. Criteria are nothing but the standard of success. These criteria must envisage the likely success of the candidates in the job. The organization must determine what constitutes success on the job. For instance, factors like the quantity and quality of the goods produced, absenteeism, attrition rate, accident history, and the length of service may determine the success and can become the criteria.

Rodger has developed a seven-point plan for determining the criteria for candidate selection.<sup>11</sup> The plan covers

1. **Physical make-up:** Health, physique, appearance, bearing and speech
2. **Attainments:** Education, qualifications and experience
3. **General intelligence:** Fundamental intellectual capacity
4. **Special aptitudes:** Mechanical skills, manual dexterity, and facility in the use of words or figures
5. **Interests:** Intellectual, practical, constructional, physically active, social and artistic
6. **Disposition:** Acceptability, influence over others, steadiness, dependability and self-reliance
7. **Circumstances:** Domestic circumstances, and occupations of family.

Alternatively, Roberts has suggested a competency-based approach in which core competencies required for the job are used as a framework for the selection process. He mentions that “the benefit of taking a competencies approach is that people can identify and isolate the key characteristics which would be used as the basis for selection ... The competencies therefore become a fundamental part of the selection process.”<sup>12</sup>

### Administering the Test

Having decided the human traits to be measured, the types of tests and the success criteria, the next step is to administer the test to the candidates. The candidates may be outsiders seeking employment in the organization or the existing employees looking for promotion. As far as possible, the testing conditions must be near normal.

### Evaluating the Results

In the next stage, the results are matched with the success criteria to determine whether the applicant succeeded in the test. The significance in the relationship between the scores of the applicant and the performance criteria should be continuously studied to see whether the applicant eventually emerges as a high, low or average performer. Now that we have discussed the phases of selection, let us look at the next step in the selection process—the selection interview.

### The Selection Interview

The selection interview is one of the most widely used means of collecting necessary information about applicants. In fact, it is an indispensable part of any selection procedure. It provides an opportunity for the employer to have a face-to-face interaction with the candidate. It is used for gathering information that has not been collected through other selection

tools. The organization may require one or more interviews for an applicant, depending upon the nature and number of job vacancies. Let us now see how different authors have defined the term *interview*.

An interview can be defined as “a selection procedure designed to predict future job performance on the basis of applicants’ oral responses to oral inquiries.”<sup>13</sup> Or, “as a purposeful exchange of ideas, the answering of questions and communication between two or more persons.”<sup>14</sup>

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

### Objectives of an Interview

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

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

### Kinds of Interview

Interviews have the capability to serve different purposes of different persons. For instance, they are useful not only for selecting an employee but also for knowing the reason for an employee leaving the organization (exit interview). The common forms of selection interview, listed in Figure 5.4 are as follows:

**Structured Interview** Structured interview, also called directive or patterned interview, is a popular form of interview technique. In this method, the interviewer predetermines the questions to be asked. He merely follows the same template to ask the interviewee a series of questions with little or no deviation. This method ensures uniformity in the interview process and facilitates easy comparisons among the candidates. It also enjoys better reliability and validity.

**Unstructured Interview** This method is also known as non-directive or free interview. In this type of interview, the interviewer does not pre-plan the questions to be asked. In fact, he decides on the questions as the interview proceeds. The purpose of this method is to allow a free discussion on any topic as it emerges. Interviewers generally avoid asking the same or similar questions. Qualities like analytical skills, presence of mind, and motivation are tested. However, this kind of interview usually suffers from lack of uniformity and objectivity.

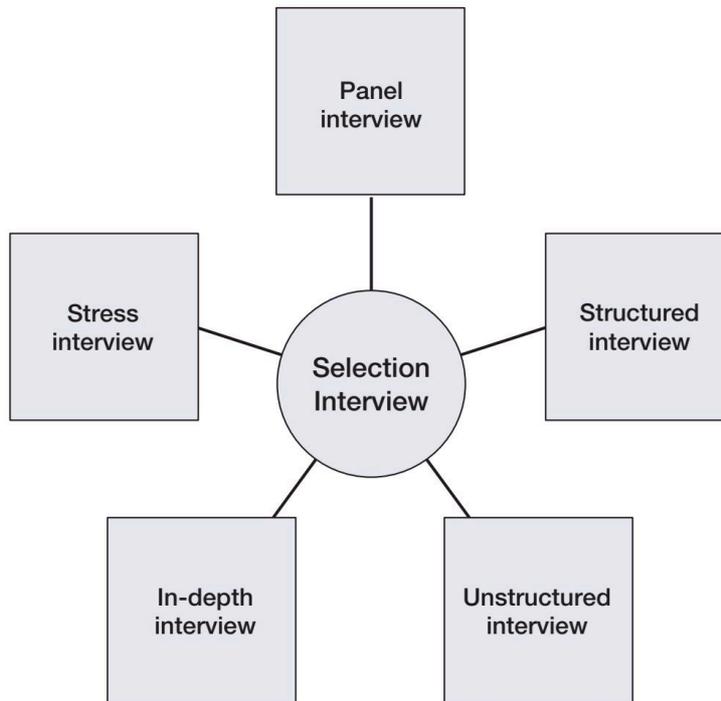


Figure 5.4

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**Kinds of Selection Interviews**

**In-depth Interview** As implied by the term *in-depth*, the purpose of this interview is to discuss the information concerning the candidate in detail. The intention of this exhaustive interview is to ensure that no information vital to decision making is missed out. This method normally covers the subjects of mutual interest like specialization, motivation, qualification and career plan of the candidates on one hand, and the firm's offer on the nature of job, pay and perquisites, career opportunities on the other. This method is more appropriate for executive cadres.

**Stress Interview** The purpose of a stress interview is to put the candidate in an uncomfortable situation to see his/her ability to handle stress. The intention of the interviewer here is to identify the sensitive candidates who have low-stress tolerance. This may be done by identifying the area of weaknesses of the applicant in advance and repeatedly questioning him about it. This may annoy or frighten the applicant, forcing him/her to lose his patience. The other ways of creating stressful situations are—asking rude questions, criticizing the interviewee for his/her answers unreasonably, disturbing the candidates with frequent interruptions, and asking the applicant impolitely and repeatedly to pick up the objects placed on the floor. However, the success of a stress interview depends upon the skilful handling of the situation by the experienced interviewers. Box 5.7 shows the essence of a stress interview.

**Panel Interview** In this method, the applicant is interviewed by more than one interviewer. A panel of two or more interviewers is formed to interview the candidate. The interviewers are generally drawn from different fields. They ask questions from their respective fields and award marks. These marks are finally consolidated into a panel score. Panel interviews are normally comprehensive in nature. They are considered more reliable than

**Box  
5.7****Stress Interview: A Game to Test Forbearance**

In a stressful corporate world where employees are under constant pressure to complete the projects on or ahead of time schedules in order to beat the deadlines, organizations are looking for stress-proof employees who can perform in all-weather situations by effectively tackling stress-causing factors. When an employee is bogged down by stress, he may not be successful in his job and, in that case, his other skills may prove to be futile. Hence, it is absolutely essential for the employers to measure the ability of the candidates in handling stressful situation. This is where stress interviews come in handy. The selection process for those jobs that require frequent interaction with the public usually includes stress interviews. These interviews are widely used for selection in banking, insurance, pharmaceutical and IT sectors. They are also found to be apt for filling positions in marketing fields.

The purpose of a stress interview is to create anxiety and trouble for the candidates at the time of the interview. The basic idea is to put the candidate in a spot just to ascertain how he tackles stress without losing his cool. A panel of interviewers plainly shoots all sorts of questions at the candidate just to provoke him. In the course of the interview, the candidate is intimidated, challenged, treated shabbily and spoken to rudely. Often, his basic knowledge is questioned, with no time to think and plan the answers carefully and then explain them. Obviously, in a stress interview not only are the quality and content of the responses scrutinized but also the style of response, including facial expressions. At the end, the panel decides whether the candidate is capable of handling a high-pressure job.

*Adapted from: [www.hinduonnet.com/jobs/0709/2007092650040800.htm](http://www.hinduonnet.com/jobs/0709/2007092650040800.htm)*

individual interviews (where only one person interviews the applicant) as the personal bias and prejudice would have less effect on the panel score.

**Computerized Interview** Computerized interviews are slowly gaining momentum in India. Many organizations are now resorting to this kind of interview to choose suitable candidates. In this method, the applicant is asked computerized oral questions and his oral or computerized replies are recorded. Computerized interviews are often used as preliminary interviews. Those who are successful in the computerized interview are considered for face-to-face interview. This kind of interview can spare the HR and other line managers from interviewing too many candidates, thereby saving their precious time.

## **Strategy for an Effective Interview Process**

A successful interview requires meticulous planning on the part of the interviewer. The following steps can enhance the effectiveness of an interview process:

### **Becoming Familiar with the Information Available**

The first step in the interview process is that the interviewer acquaints himself with the information already collected about the applicant. This will help the interviewer gather from the interviewee only what is further required. The interview will also be more productive as duplication of work is avoided.

### **Getting Ready with an Interview Plan**

Keeping the requirements of the job in the background, the interviewer has to finalize the interview plan. The plan may include, among others, determining the interview method,

the skills to be tested, the questions to be asked and the clarification required. The interviewer should also decide on the criteria for evaluating the interviewee's responses.

### **Creating a Supportive Environment**

Undoubtedly, an interview is an emotionally stressful event for a candidate. It is therefore essential to provide a helpful and encouraging physical setting to the interviewee to make him feel at ease and confident. In order to ensure this, noise- and interruption-free private room, proper ventilation, light, and comfortable furniture are helpful.

### **Conducting the Interview**

This is an important phase in the interview process. All the plans regarding the interview are executed at this stage. The interview should be smooth and systematic from the beginning to the end to produce the desired outcome. Every effort must be made to gather the maximum information from the candidate.

### **Ending the Interview**

It is the responsibility of the interviewer to properly finish the interview. At the end, the candidate should be given an opportunity to say or seek information, if he desires so. It will be fine if the interview ends on a positive note.

### **Reviewing the Performance**

Once the interview is over and the candidate leaves the room, the interviewer should begin the process of evaluating the performance of the candidate immediately. This will help the interviewer to recall and record his impression of the performance of the interviewee clearly and award the marks or grades objectively. After the interview is over for all the candidates, the interviewer should rank the candidates on the basis of their overall performance.

## **Weaknesses of the Interview Method**

Although interviews are used extensively as a selection tool, there has been a debate going on about the usefulness of interview as an effective predictor of the applicant's job performance. This is because the selection interviews suffer from the following limitations:

### **Lack of Objectivity**

In interviews, there is always a scope for personal bias and prejudice, and this may affect the objectivity of the whole exercise. The interviewer may tend to overemphasize the facts and characteristics with which he is familiar. He may also inadvertently favour those candidates who are similar to him in personality traits, qualities, gender and educational or social background.

### **Halo Effect**

This problem arises when the interviewer attempts to judge the personality of the interviewee on the basis of a single or a few dominant characteristics. For instance, an interviewee's age, qualification, experience, and striking physical feature may individually or collectively

create a halo effect. The interviewer should not be swayed by a few traits and should assess the candidate in his entirety.

### **Inadequacy of Time**

Another criticism of interview is the lack of adequate time to evaluate the interviewee. It is definitely difficult to assess the skills and traits of the candidate accurately within such a short duration. This may in turn affect the efficiency of the interview.

### **Lack of Uniformity**

When the interviews for job aspirants are conducted by two or more interviewers, the evaluation of the candidates may not be uniform. This is because the marks or grades are usually awarded by the interviewers on the basis of their personal judgment. This can affect the final rankings of the candidates. The uniformity of interviews is a prerequisite for a meaningful comparison of the candidates' job-related traits. In contrast to the interviews, the selection tests can ensure perfect uniformity as all the candidates appearing for identical jobs take the same test.

### **Absence of Training for the Interviewers**

The absence of training for the interviewers in interviewing skills is the important reason for many of these defects in interviews. In fact, organizations are devoting little time and resources for training their managers in interview techniques. The inexperience and lack of training may seriously impair the judgment of the interviewers, making the whole exercise useless. Instead of depending too much on interview techniques, organizations can also develop alternative methods to assess the presence of critical factors relevant for the successful performance of the applicants in the jobs offered, if selected.<sup>15</sup>

## **Reference Checks**

The next step in the selection process is checking the references furnished by the candidates. Many organizations have reference columns in their application forms. They instruct the applicants to mention a few names as referees. The purpose of collecting such references is to cross-check the information provided by the candidates in the different stages of selection process. The persons known to the candidates are normally cited as referees. They may be the friends, relatives, previous employers, faculty of educational institutions where candidates studied or any other prominent persons familiar with the candidate. However, this is not an effective selection tool in India as the referee's reports here are hardly objective and productive. Box 5.8 describes the growing relevance of reference checks.

## **Physical Examination**

Physical examination is the penultimate stage in the selection process. The aim of this examination is to ensure that the selected candidate meets the physical requirements of the job. Physical examination can also protect organizations from employing persons with pre-existing ailments. However, organizations in our country have no uniform policy regarding physical tests. Some organizations believe in comprehensive medical tests for their candidates while others are not serious about these tests.

Once these steps have been carried out, the last phase is that of the job offer.

**Box  
5.8****Outsourcing Reference Checks: Need of the Hour**

Reference check remained a neglected area of the selection process for a long period in India, perhaps because it involved a lot of time and resources for the employers. A proper reference check also lengthened the selection process of an organization. For those organizations that worked under tight deadlines and client pressure to finish the projects, reference checks proved to be a stumbling block. All these factors discouraged the HR managers from undertaking a full-fledged reference check.

However, the surfacing of large-scale fake CVs, especially in the IT sector, proved to be an eye-opener for the organizations and for the HR people in particular. Industrial surveys for the IT and ITES sectors revealed that nearly 30 per cent of resumes contained misappropriation of

facts. In a number of cases, candidates forged the records to cover up the gaps in their employment or to increase the duration of their earlier employments.

Organizations may outsource reference checks by employing professional agencies to carry out these checks. Though it may be a costly proposition to engage external parties to verify the antecedents of the candidates, not checking these may prove to be even more costly for the organizations in terms of financial loss, misuse of the position by fraudulent persons, and loss of credibility to the company. Many IT companies are now outsourcing their reference checks to prevent or minimize their future losses and embarrassments.

*Adapted from:* [www.itpeopleindia.com/20020304/management1.shtml](http://www.itpeopleindia.com/20020304/management1.shtml).

**Job Offer**

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

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

Let us now look at the selection process in India.

**The Selection Process in India**

The selection process in India is paradoxical. On the one hand, large organizations are continuously developing and standardizing a rigorous selection process to choose the best possible employees for their organizations. On the other hand, small firms mostly satisfy themselves with a mediocre process to select their employees. In fact, quite a few small organizations

appoint employees for unskilled cadres without putting them into any of the formal steps in the selection process.<sup>16</sup>

The selection process in large Indian organizations is normally systematic and in compliance with the overall HR policy and philosophy of the organization. However, the selection techniques may vary, depending upon the number of applicants and the nature of job offered. When there is a large number of applicants for the job offered, psychological tests invariably become part of the selection process to choose the candidates suitable for further consideration, especially in public sector industry.<sup>17</sup>

Further, the selection process is usually exhaustive and rigorous for managerial jobs, and this may involve steps like meticulous screening of application, several rounds of interviews including preliminary and final, and group discussions to test the attitude, personality, subject and general knowledge, clarity of thought and logic, persuasiveness, leadership qualities and communication skills of the candidates. But, these organizations normally adopt a shorter selection process for non-managerial positions. This process may involve steps such as application scrutiny, selection tests (if necessary) and interviews.

Smaller organizations in India, in contrast, adopt a simple process for selecting their employees. For instance, trade test (proficiency test) and interviews are the preferred selection tools for technical jobs while interviews are used to choose the appropriate candidates for managerial positions.<sup>18</sup> It is to be understood clearly that the selection policy and process will vary from one organization to another, even from one situation to another, depending upon the number and categories of job positions, the exigency of the situation and the overall HR policy of the company.

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## Summary

1. Selection is a systematic process of identifying suitable candidates for the jobs available in the organization from the available applicant pool.
2. The process of selection begins once the applicant pool is assembled through the recruitment process.
3. The various stages of the selection process are employment application forms/blanks, selection tests, selection interview, reference checks, physical examination and job offer.
4. Employment application forms/blanks are used to collect biographical information, educational qualifications, work experience, pay and other prerequisites, and other relevant information of the candidates and also a few references.
5. The selection test is a psychological test for comparing and contrasting the behaviour of two or more persons on the basis of a standardized measure of behavior.
6. The selection test must ensure objectivity, standardization and sample behaviour. The types of tests are the ability test, intelligence (IQ) test, aptitude test, achievement tests, personality test, interest test, and honesty or integrity test.
7. A selection interview is a face-to-face conversation to collect information from a candidate to determine his suitability for a job.
8. The kinds of interviews are structured interview, unstructured interview, in-depth interview, stress interview, panel interview, and computerized interview.
9. A reference check is a process of cross-checking the information provided by the candidates in the different stages of the selection process.
10. A physical examination is a medical test to ensure that the selected candidates meet the physical requirements of the job.

## Review Questions

### Essay-type questions

1. Evaluate critically the steps in the selection process.
2. Discuss the characteristics and types of psychological tests.
3. Analyse the merits and limitations of psychological tests as a tool of measurement.
4. How will you develop a test programme? Describe the precautions that should be taken in the case of psychological tests.
5. Explain briefly important interview techniques used for selecting supervisory and managerial staff.
6. What are the various hurdles in a selection procedure?
7. Enunciate the meaning and kinds of selection interview with examples.
8. Discuss the role of psychological tests in the selection process. Work out a classification of psychological tests and describe each category, keeping their utility in view.
9. "An interview is the least valid and reliable method of selection, yet it is most widely used." Comment.
10. State the strategies for an effective interview process.
11. "Selection is indeed an elimination process." Elaborate.
12. Evaluate critically the strengths and weaknesses of interview as a selection tool.
13. What organizational consequences might result if recruitment and selection are not done well? Illustrate with suitable examples.

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# Orientation, Socialization and Placement

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 List the objectives of an orientation programme
- 2 Enumerate the requisites of an effective orientation programme
- 3 Understand the process of an orientation programme
- 4 Differentiate between the different types of orientation
- 5 List the problems faced by employee orientation
- 6 Enumerate the steps for an effective orientation programme
- 7 List the process of socialization
- 8 Differentiate between the various types of socialization strategies
- 9 Understand the problems faced by placement

Abbott India Limited, a subsidiary of Abbott Laboratories, has its head office in Mumbai. It is engaged in the production of healthcare products and is well known for its quality. The Abbott Group has employed nearly 65,000 people all over the world with Abbott India accounting for over 1,000 employees. The core values of this company are Pioneering, Achieving, Caring and Enduring (PACE).

The HR philosophy of this company is “respect people” and it aims to achieve this through value-based management. It emphasizes developing teams work and creating an affable and professional work environment for its employees. The uniqueness of its HR approach is that it accepts experiential learning by employees and views mistakes as part of the learning process.

The company appreciates cultural differences and permits its employees to bring their best value and cultures to the organizations and accepts alternative views on any matter. Every two years, the company conducts a performance-culture survey on a global scale to evaluate the cultural attitude of its employees. Based on the results of the survey, it establishes new and broad cultural benchmarks for all its employees. This process of reassessing the culture and realigning it with the corporate values is known as the cultural health metric. The company utilizes the culture survey to develop action plans in the form of culture and diversity management programmes, and training and orientation programmes in order to achieve the core business objectives. As part of its Abbott “Promise for Life” programme, the Abbott group conducts a series of

values' workshops to align the employees' behaviour with the corporate core values and culture. Given this example about the importance of

orientation and socialization for an organization, this chapter looks at the various aspects of orientation and socialization programmes.

## Introduction

Employee orientation or induction is a crucial stage in the hiring process of an organization. The newly joining employees get the first impression of the organization through the orientation programmes. It is thus necessary for any organization to have a meticulously planned and well-executed orientation programme to educate the employees about the various aspects of the organization. Orientation programmes are useful in making the new employees feel assured, happy and at ease with the new environment. They can also ensure a smooth transition and integration for the employees without any initial shock and unpleasant surprises. The duration of employee orientation may vary from a few hours to several months, depending upon the job requirements and the policy and philosophy of the organization. In orientation programmes, employees are usually briefed about the history of the organization, its culture, values and attitude, the expectations of the management, the job and department details, and the product or service information.

While orienting employees to their job and organization, the organizations normally provide details of all their HR practices that concern them. For instance, the employees are given information about pay scales and incentive schemes, probationary period, the nature and duration of training, working hours, overtime rules, safety rules and procedures, promotion policies and opportunities, and leave facilities. In many organizations, new employees are usually taken around the office or factory premises and shown the different facilities available within the campus. A well-planned orientation usually reduces the likelihood of committing initial mistakes and achieves better understanding between the employer and the employees. As a result, it helps the organization in gaining substantial improvement in productivity, quality, cooperation, and industrial relations.<sup>1</sup> In contrast, the lack of orientation programmes might lead to employee alienation and dissatisfaction, a higher rate of attrition, and an increased cost of recruitment and selection.

Informing new employees about what they should do, how they should do it, and who they should report to are some of the issues that constitute the essence of orientation. Box 6.1 lists some of the definitions of orientations.

### Box 6.1

#### Definitions

“Orientation is the process of receiving and welcoming employees when they first join a company and giving them the basic information they need to settle down quickly and happily and start work.”<sup>2</sup>

—Michael Armstrong

“Orientation is the process of planned introduction of employees to their jobs, their co-workers, and the organization.”<sup>3</sup>

—Robert L. Mathis

“Orientation is a procedure for providing new employees with basic background information about the firm.”<sup>4</sup>

—Gary Dessler

We may define employee orientation as the systematic process of offering the essential information to new employees to make them feel comfortable in the organization and also in the job.

## **Purpose of Employee Orientation**

Earlier, organizations depended merely on the printed materials and other impersonal methods to orient their employees. In fact, organizations were not too concerned about orienting the employees. However, the changing characteristics of the labour market, the increasing demand for skilled labour, the availability of simple and appropriate technology for storing and presenting information, and the employees' explicit demand for information about the organization have all forced organizations to pay serious attention to employee orientation. There is also a growing realization among the organizations that the process of orientation can sustain and improve the new employees' initial enthusiasm. We shall now see the important purposes served by employee orientation.

## **Formally Welcoming Employees**

Many organizations view orientation programmes as an occasion for the management to welcome new employees formally and procedurally.

## **Overcoming Initial Uneasiness and Hesitation**

The new employees normally suffer from initial anxiety about the organization. When this anxiety is not properly handled, it might lead to the formation of negative perception and eventually cause dissatisfaction and alienation. Orientation could help in quickly overcoming the initial nervousness and hesitation.

## **Exchanging Information**

Orientation provides a platform for the organization to transfer knowledge about the job, department, organization and people to the new employees. For instance, the organization can provide information about the growth prospects available to the employees and also the training and development programmes undertaken by it for improving their career prospects. The organization, too, gets to know about the employees, their background and individual career plans.

## **Assessing Employees**

Although the selection process has already evaluated the training requirements of the employees, the orientation provides one more opportunity to do so.

## **Acclimatizing Employees**

Orientation programmes enable the organization to teach the employees the basics of the job and the safety measures to be adopted, and acquaint them with the other facilities available in the premises.

## **Controlling the HR Cost**

In the absence of orientation programmes, employees are normally left to learn everything on their own, and this might push up their learning cost to the organization in the form of

resource wastage and work disturbances. Similarly, when the employees fail to match their expectation with the reality, they might leave the organization eventually. This could also increase the HR cost associated with recruitment and selection.

### **Developing the Team Spirit**

When the orientation programme is conducted for a group of new employees, it helps in promoting team spirit among the peers. Besides, the ability of each member to work in a group can also be assessed through mock teamworks in orientation programmes.

### **Socializing Employees**

Socialization refers to inculcating suitable values, standards and beliefs among the employees so that they integrate themselves not only with the formal organization but also with the informal groups. Orientation programmes help in developing the necessary beliefs, values and attitudes among the employees which should help the organization in achieving its core business objectives.

## **Types of Orientation**

Based on the number and nature of the new employees and its policy towards orientation, an organization may decide on a specific method of orientation. Some organizations may complete the orientation quickly by providing just a gist of the job and the organization to the new employees. Others may use it as an important occasion to create a positive perception about the organization. They may also utilize the orientation programmes to boost up the chances of retention of these employees not only in the short term but also in the long term. Thus, the perception about the organization regarding the relevance of the orientation programme can also count a lot in choosing its specific type. We shall now see the important types of orientation programme.

### **General-idea Orientation**

This may also be called overview or summary orientation. In this type, some general information about the organization is provided to the employees. For instance, information about the common policies and procedures, rules and regulations like the timings, attendance and discipline is provided. Similarly, details of safety provisions like emergency exits, fire extinguishers and first aid are also provided. The organization may also provide information about emoluments like pay particulars, incentive schemes and benefits to the new employees. Usually, specific information pertaining to the job and the department are avoided here. The organization may entrust the orientation programme to the HR department, which would conduct it for all new entrants, irrespective of their departments. Box 6.2 outlines the essence of the general-idea orientation programmes for Indian companies.

### **Job-specific Orientation**

The purpose of this orientation is to inform the employees about the various aspects of the job and other things related to it. For instance, the details of the duties, responsibilities and accountabilities associated with the job, and the specific safety and other measures required in the performance of the job are provided. Similarly, employees are also briefed about

**Box  
6.2****Overview of the Orientation Programme at Dabur India Limited**

Indian companies are employing several excellent HR practices to limit the employee turnover and control the hiring cost. They view employee orientation as an HR practice capable of stemming employee attrition, especially in the initial stages of employment. In fact, the employee turnover is usually quite high within the first few months of employee placement. During the initial stage, the new employees require special attention and close guidance. When these are not available to them, they may feel estranged and frustrated. These employees may eventually leave the organization, regretting their decision of having joined it. However, some organizations have developed the requisite efficiency in the art of conducting programmes in a professional manner to achieve the objective of stemming employee orientation. The example of Dabur India Limited deserves a mention in this regard.

Dabur has been making sustained efforts to align its HR policies and practices perfectly with corporate strategies to meet the growing needs of its business. Recently, the company introduced an identical, standardized and structured induction process for all its business units located in different parts of the country. The company also organizes intranet-based identical post-induction programmes for all its new employees. The company makes the orientation programmes available to all recruitment centres of the company. Besides the general induction programme, the company also conducts job-specific induction programmes for its management trainees under the Young Manager Development Programme (YMDP).

*Adapted from:* [www.dabur.com/en/Investors1/Annual\\_reports/2006-07/finalannula2007.pdf](http://www.dabur.com/en/Investors1/Annual_reports/2006-07/finalannula2007.pdf).

**Box  
6.3****Job-specific Orientation Programme at Bajaj Electricals Limited**

Many companies depend crucially on the orientation programmes to present the positive aspects of the job and the organization to the new employees. They consider the orientation programme as a unique opportunity to help the employees understand their responsibilities in the job and the importance of the job to the organization. It is an occasion for the company to develop employee commitment and efficiency and also the desired work culture. The companies also use it as an occasion to understand the desires, expectations and values of the new employees. Normally, they develop their own style of orientation programmes based on their objectives. Bajaj Electricals Limited is an ideal case for discussion.

Bajaj Electricals has a well-defined job-specific orientation programme for every new employee joining the organization. The purpose of its orientation programme is to help the employee familiarize himself with the internal environment of the organization. It facilitates his understanding of the duties, responsibilities and

accountabilities associated with the job. It also enlightens him about the need for and techniques of working well in the challenging environment. Of course, these programmes help in overcoming the initial nervousness of the new recruits and make them feel confident and comfortable. The HR policy of the company stipulates that the conduct of the orientation programmes is the joint responsibility of the HR head and the business unit for which the employee has been chosen.

Besides the orientation programmes, the company has several internal and external training programmes to constantly upgrade the competencies of the employees. Besides the routine skill-enhancement programmes, it also has behavioural training programmes for enhancing interpersonal relationships, team-building, personal effectiveness and goal-setting.

*Adapted from:* <http://www.bajajelectricals.com/t-trd.aspx>.

department-specific matters, relevant rules and regulations, organizational structure and plant layout details. The HR department normally organizes these orientations for the new employees by involving the supervisors or managers of the concerned department. Box 6.3 shows the relevance of job-specific orientation programmes for an organization.

### Traditional and Modern Orientation

Based on its purposes and content, orientation may also be classified into traditional orientation and modern orientation. When the organizations employ the general and oft-repeated materials to orient employees, it may be called traditional orientation. In this method, orientation is viewed as a ritual and one-time exercise by the organization. It primarily aims at engaging the employees on the first day and helps them overcome the initial nervousness. In the case of modern orientation, the organization views it as the beginning of a continuous process to convert an employee into a precious asset. Besides attending to the first-day concerns of the employees, it takes care of their training and career needs on a sustained basis. The modern orientation programmes aim at increasing the team spirit, enhancing productivity and achieving better employee satisfaction and retention. Organizations are now including even mentoring and on-the-job training as part of the orientation process to enhance its effectiveness.<sup>5</sup>

### Process of Orientation Programme Development

With increasing globalization and the resultant labour mobility, organizations are determined to make the optimum use of the orientation programmes to get closer to the employees and establish a permanent bond with its workforce. This calls for systematic and scientific development of the orientation programmes. Though an organization can follow any process for designing its orientation programme, the one in Figure 6.1 is suitable for any kind of organization with necessary modifications. As illustrated in the figure, the steps involved in the orientation programme development process are (i) ascertaining the organization’s policy, mission, and expectations relating to the orientation programme; (ii) determining the objectives of the orientation programme; (iii) determining the type of orientation programme; (iv) deciding the mode of delivery; and (v) gathering the participants’ feedback. We shall now see these steps in detail.

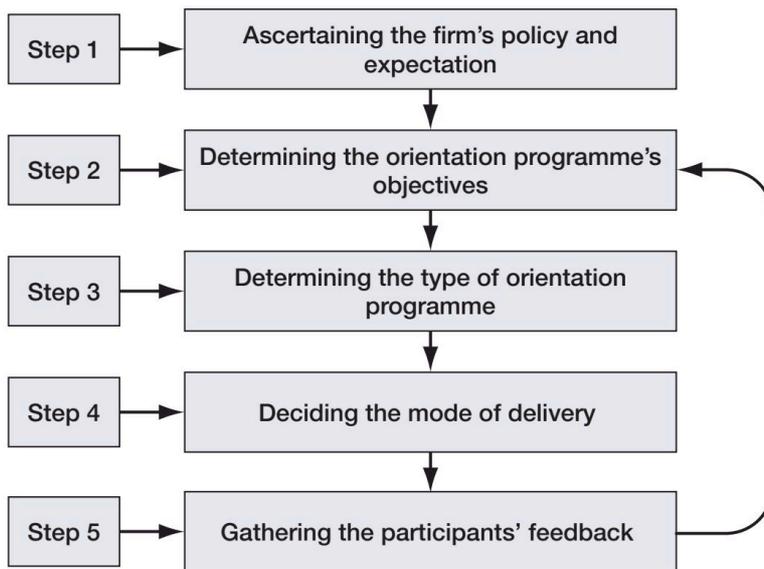


Figure 6.1

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#### Steps in the Orientation Programme Development

### **Step 1: Ascertaining the Organization's Policy and Expectations Relating to the Orientation Programme**

In the first stage, the HR department should analyse the policy, mission and vision statements of the organization to determine what it expects from the employees and also what qualities and characteristics it wishes to emphasize among them. The HR department should also ascertain what information different departments like those of accounts, welfare, computer and security require about the new recruits. Similarly, if these departments want to provide information to the new employees, the HR department should find out this information from these departments.

### **Step 2: Determining the Objectives of the Orientation Programme**

Once the information requirements of different departments have been ascertained, the next step is the determination of objectives for the orientation programme. An organization can have multiple objectives for its orientation programme. For instance, removing employee fear and anxiety, conveying what the management expects about employee behaviour and performance, introducing the employees to their supervisors, peers and subordinates, providing them information about the duties, responsibilities and accountabilities involved in the job and orienting them with the rules, regulations and policies are a few objectives.

### **Step 3: Determining the Type of Orientation Programme**

On the basis of its policy or past practices, an organization may decide to conduct one general programme or several job-specific programmes. While deciding the type of programme, it is necessary for the organization to consider factors like the objectives of the programme, the nature of information required, and the financial support available for the programme. If the organization decides to conduct different orientations for different categories of employees, then a need to collect information will arise about the participants, including their positions and departments. In the case of job-specific programmes, the organization may conduct separate programmes for managerial and non-managerial personnel and also for technical and non-technical personnel. In such a scenario, the organization must get ready with the required number and variety of orientation programmes to cater to the needs of the assorted categories of participants.

### **Step 4: Deciding the Mode of Delivery**

At this stage, the organization should finalize its plan regarding the method to be adopted for information delivery. Usually, factors like the number of participants, the nature of information to be shared, infrastructure availability, and the category of participants are considered for deciding the manner of delivery of the requisite information. The method of delivery may include, among others, classroom-based orientation, multimedia-based orientation and on-the-job orientation. Besides determining the mode of delivery, an organization should also develop the necessary brochures and instruction manuals to be given to the participants.

### **Step 5: Collecting the Participants' Feedback**

Since orientation programmes are conducted continuously in an organization, it is essential to review the relevance and efficacy of these programmes periodically. The organization

should take the feedback from the participants about their level of satisfaction with the various aspects of the programmes. In the feedback process, an organization may find out from the participants whether they have received satisfactory responses for their questions. For instance, they may have questions like

- What are my duties, responsibilities and accountabilities in the job?
- Who should I contact for getting things like the stationery?
- What are my office/factory hours, including breaks and overtime?
- Who are my immediate authorities and subordinates?
- How would my performance be evaluated in the organization?
- When and how would I get my pay and other benefits?
- Where are the facilities like canteen, parking lot, restrooms, first-aid room and toilets located in the premises?

Depending on the participants' level of satisfaction at the end of the orientation programme in obtaining the information needed, the efficacy of the programme may be determined. Based on the feedback, future orientation programmes should be adequately modified and improved to make them more appropriate for the time and situation and also for accomplishing the programme objectives.

## **An Effective Orientation Programme**

Since the orientation programme is crucial to the management from the employee motivation and retention perspective, every effort must be made to make it effective and successful. The following measures might help the organization achieve the desired effectiveness:

### **Framing Clear-cut Objectives**

The organization should frame the objectives of its orientation in unambiguous terms. It should decide clearly whether the orientation has a single objective or multiple ones. Similarly, it should make proper need assessments of the different departments to ensure that all their information expectations would be fulfilled through the identified objectives. The participants' status and information requirements should also be considered for determining the objectives. In any case, the objectives are capable of providing a clear direction to the whole orientation programme.

### **Determining the Roles of Departments and Personnel**

The organization should determine clearly the department and persons responsible for conducting the orientation programme. It must have strong reasons for choosing a specific department for organizing the programme. The responsibility for orientation is assigned to the HR department normally. In some organizations, however, the training departments are assigned the task of conducting orientation programmes. This is because they are continuously involved in the training of the new employees at various stages of their employment. The services of the training department can also be used for educating the supervisors and managers about the methods of and need for the orientation programmes.<sup>6</sup>

### **Assessing the New Employees' Information Requirements Accurately**

An effective orientation programme must be able to fully address the first-day concerns and general information requirements of the new employees. Its success lies in making the new employees feel assured and positive about their new organization and the job. Normally, the new employees would be saddled with questions like “Have I joined the right organization?”, “Could I do this work?” and “Would I be accepted by my boss, colleagues and subordinates?”. It thus becomes imperative for the orientation programme to identify and clarify all the likely doubts and questions of the participants, whether they have been expressed or not. Certainly, the greater the new employees' satisfaction with the outcome of the orientation process, the faster his integration into the job and the organization.

### **Selecting Appropriate Methodology, Techniques and Programme Content**

The organization should also be judicious in designing the content (curriculum) of the orientation programme. It should not attempt to include everything in the programme content. It should decide exactly what the employee should know initially and what information can wait for future presentations. It should never overburden the new employees with information. Thus, it is essential to ensure that the programme content flows from the objectives and also works towards their attainment.

Having decided the content, the organization should choose the most appropriate delivery technique for information presentation. The nature and size of the content, the length of the programme, and the number and nature of the participants normally influence the selection of the delivery tools. The delivery techniques may include instructor-led teaching, learning by doing the job, one-to-one conversation with the supervisor, and allowing participants to raise questions. The technique that matches the learning and perceptual abilities of the participants should be selected. For instance, some categories of employees may be good in quickly grasping the information presented while others may be slow in understanding such information. An organization may use one or more of delivery techniques like visual (video), print (written form), aural (classroom teaching), interactive (group discussion), tactile (demonstrative form like model-building) and kinesthetic (role plays, games),<sup>7</sup> depending upon the situation and the participants. Thus, the delivery system should be developed properly to meet the requirements of each participant. In any case, it is important to ensure that the interest and enthusiasm of the employees are sustained by these programmes and not destroyed.

### **Creating a Positive Environment for New Employees**

The organization should strive to create a positive environment for its new employees. Even before the beginning of the orientation sessions, arrangements must be made to receive these employees and guide them to their predetermined places. They should never suffer from the feelings of haplessness and alienation. The organization should make every possible effort to make their first day the most memorable in their career. The whole orientation programme should be designed in such a way that the participants completely enjoy their participation in it.

### **Providing Continuous Review and Effective Feedback**

As employee orientation is a continuous process in an organization, it is necessary to develop appropriate instruments to evaluate the effectiveness of such programmes. Evaluation techniques should measure the extent of learning achieved through orientation programmes. They should specifically measure the different learning aspects like cognitive learning (knowledge development), affective learning (attitude development) and behavioural learning (skill development).<sup>8</sup> On the basis of the results of the feedback, the organization should carry out necessary improvements in the objectives, content, delivery techniques and evaluation process.

### **Problems in Orientation**

Normally, organizations entrust the development of the orientation programme to the HR department and its execution to the supervisors and managers. When the organizations fail to plan and execute the orientation properly, it may not fulfil the desired objectives. Consequently, the time and resource spent on programme development and execution might go waste. We shall now see the problems affecting the efficiency of the orientation programmes.

#### **Data Overload**

The purpose of an orientation programme is to orient the employees with the basic information sufficient for initial survival in the organization. New employees should not be overloaded with a large amount of information as they may not be able to absorb it all at once. It is, therefore, necessary to spread out the information so that the employees have time to receive, analyse and assimilate it. Unfortunately, overenthusiastic organizations and HR people in particular dump a huge chunk of information on the very first day of an employee's arrival. This may frighten the panic-gripped employees further.

#### **Problems of Boredom and Rigidity**

When an organization conducts the orientation programme in a formal and rigid manner, just like a ritual, it may not achieve the purpose of making the employees feel at ease. It is necessary to conduct the programme in as lively and interactive a manner as possible. The employees should be encouraged to participate in the orientation programme voluntarily and actively. This may call for good interpersonal skills among the facilitators who conduct the programme. Many organizations lack facilitators with the requisite interpersonal skills and expertise. Moreover, the orientation programmes should be interspersed with games and stories to kindle the participants' interest. In a nutshell, organizations should make the orientation an enjoyable exercise and not a punishment for the employees who have just arrived.

#### **Lack of Adequate Time and Training for Facilitators**

When an organization entrusts the role of facilitators of an orientation programme to the supervisors and line managers, they may not have adequate experience and training to handle the orientation programmes effectively. Besides, they may also be too busy to prepare for the programme in advance and this may eventually affect its efficacy. They might also attempt to undermine the importance of the participants' position in the organization and overemphasize their own authority on the participants' job. As a result, the participants may feel threatened by the attitude and behaviour of the existing employees.

### **Risk of Failure and Counter-effects**

A well-planned orientation programme is capable of enhancing the retention rate of the employees and, thus, reducing the attrition, especially in the initial years. However, a poorly planned and hastily executed orientation programme could be counterproductive for the organization. It may unintentionally force the new employees to develop negative perception about the efficiency of the organization and also about its attitude towards them. This may eventually force employees to leave the job abruptly out of fear and anxiety about the future.

### **Lack of Diversity in the Orientation Programmes**

People have different levels of learning abilities and perceptual skills. Some people may have better grasping abilities than others. Similarly, merely listening to the presenter may be sufficient for some people to comprehend the subject matter, while others may require video presentation and demos for a clearer comprehension of information. However, many organizations often adopt a common method and identical delivery system in orientation programmes for all new employees, irrespective of their skill levels and educational backgrounds. This may impact the efficacy of the orientation process.

### **Absence of Evaluation and Follow-up**

Orientation programmes are definitely an important HR function and a recurring activity for any organization. It is thus essential for the organizations to evaluate the efficiency of the orientation programmes by collecting their feedback from the participants. They should also promptly follow up the feedback process by incorporating the necessary improvements in the programme to make it up to date. However, many organizations hardly undertake a serious evaluation of their orientation process and even when they do this, they do not follow up the evaluation with necessary actions.

## **Socialization**

Socialization is the process of introducing or integrating the new employees into the organizational culture. In simpler terms, it is the process by which the new employees learn the organizational culture. While orientation and placement are concerned with the smooth integration of the employees into the job, socialization aims at inculcating suitable values, culture and behavioural standards in them. Generally, employees who attend socialization programmes are found to be performing better in their jobs than those who don't; they also record low attrition rate.<sup>9</sup> However, socialization is a much longer process than orientation. In spite of the comparatively long period of socialization required for achieving the results desired, some organizations have developed an excellent socialization process for improving the performance and loyalty of the employees. For instance, firms like Procter & Gamble and IBM have achieved excellence in the socialization process.<sup>10</sup>

Facilitating the employees to share the organizational values and culture is the core of socialization programmes. The definitions in Box 6.4 highlight the different interpretations of socialization.

We may define socialization as the process of exposing the new employees to the organizational culture systematically and integrating them into it eventually.

**Box  
6.4**

**Definitions of Socialization**

“Socialization means the process used by the companies to expose new employees to their culture and way of doing things.”<sup>11</sup>

—Randall S. Schuler and Ian C. Macmillan

“Socialization is the ongoing process of instilling in all employees the prevailing attitudes, standards, values, and patterns of behaviour that are expected by the organization and its departments.”<sup>12</sup>

—Gary Dessler

“Socialization is the manner in which an individual learns (the) behaviour appropriate to his positions in a group through interaction with others who hold normative beliefs about what his role should be and who reward or punish him for correct or incorrect actions.”<sup>13</sup>

—Orville G. Brim

**Differences Between Orientation and Socialization**

Though orientation and socialization are often seen as the two sides of the same coin and as interchangeable terms, there are a few definite differences existing between the two terms. These differences have been listed in Table 6.1.

**The Socialization Process**

The process of socialization of employees takes place in two phases. These are socialization by organization and personalization by individuals.<sup>14</sup> In the first phase, the organization makes efforts for the socialization of the new employees. This is done through orientation

**Table 6.1 Differences between Orientation and Socialization**

<i>Orientation</i>	<i>Socialization</i>
Orientation is usually a formal and structured process of learning the organizational reality by the newcomer.	Socialization is typically an informal and spontaneous process of learning about the organizational culture by the newcomer.
The first way or occasion the newcomer experiences the organization is normally through orientation.	The socialization process normally begins during or after the orientation. However, the subsequent orientation for the newcomers is often influenced by the outcome of the socialization process.
Orientation is a short-term and time-bound activity.	Socialization is generally a long-term and gradual process.
The HR department generally takes the primary responsibility for the orientation process.	The line management normally takes the primary responsibility for the socialization process.
The aim of orientation is to introduce the newcomer to the organization itself.	The aim of socialization is to introduce the newcomer to the organizational culture, attitudes, standards, values, and behavioural aspects. It also involves introducing the newcomer to the work environment.
It is usually a one-time event organized at the beginning of an employee’s career in the organization.	It is an ongoing process in which the employees continuously learn about their organizational culture.

and training programmes. In the second phase, new employees do their best to personalize their relationship with the organization. The employees assume responsibility for changing their attitudes, behaviour and values and conform to the prevailing organizational culture.

The organizational socialization process usually comprises three stages (see Figure 6.2). These are (i) anticipatory socialization, (ii) organizational socialization and (iii) socialization outcomes. However, these stages are interdependent because the result of one stage acts as the input for next stage. We shall now see these three stages of the socialization process.

### Anticipatory Socialization

This is the first stage in the socialization process but is normally completed even before the actual entry of the employees into the organization. It refers to the values, attitudes and other behaviours already acquired by the new employees before their entry into the organization. They have acquired these behaviours through their experiences in earlier jobs and educational institutions. The organization attempts to find out these behaviours of the employees through the selection process. It normally selects those who exhibit appropriate behaviour.

### Organizational Socialization

In this stage, the organization undertakes the necessary efforts to gradually expose the new employees to the prevailing organizational culture. This is done by facilitating the employees to learn the relevant values, beliefs and attitudes. When the pre-acquired values of the employees and the organizational culture are similar, the socialization process becomes simple as it can easily help the employees assimilate the organizational culture and values. In contrast, the socialization programme becomes critical when there are divergences in the new employees' values and the organizational culture. Organizations may employ a formal or an informal socialization process or both to educate the employees about the organizational culture. In the case of a formal socialization process, employees are taught about the new values and the required behaviour through orientation programmes, training and development programmes and work assignments.<sup>15</sup> In an informal socialization process, the superiors, subordinates and peer group members are made responsible for the socialization of the new employees in an informal environment by adopting a casual approach. Organizations may combine both formal and informal socialization methods for achieving effective and faster results.

### Socialization Outcomes

The final stage of the socialization process is the achieving of the objectives of the socialization efforts. Since it is difficult to measure attitude, behaviour, commitment, motivation and values, as these are abstract terms, the organization may keep its objectives in terms of productivity, performance and other measurable terms. When the outcomes are positive, the socialization process is normally viewed as effective.



Figure 6.2

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#### The Socialization Process

## **Dimensions of Organizational Socialization Strategies**

The socialization plans of organizations can be classified into seven categories. These are formal or informal, individual or collective, fixed or variable, sequential or non sequential, serial or disjunctive; tournament- or contest-oriented, investiture or divestiture.<sup>16</sup> We shall discuss these strategies briefly.

### **Formal or Informal Strategy**

When the organizations use formal training programmes for the socialization of the new employees, it is a formal strategy in socialization practice. Normally, the infrastructure available for training programmes is used for organizing formal socialization programmes. In case of informal socialization programmes, the new employees are left to learn everything by themselves and that too in an informal environment. For instance, the colleagues and other employees would help the new employees learn the culture of the organization.

### **Individual or Collective Strategy**

When socialization programmes are conducted collectively for a group of new employees, it is a collective strategy. In contrast, socialization programmes are conducted on a one-to-one basis in an individual strategy. For instance, a supervisor may be assigned the task of educating a new subordinate about the values and culture of the organization.

### **Fixed or Variable Strategy**

In the case of a fixed strategy, organizations predetermine the time and duration for each activity to be undertaken as part of the socialization programmes. A clear-cut schedule is developed for carrying out socialization programmes. On the contrary, no such precise time-table is prepared for socialization in a variable strategy. The convenience of the facilitator and the participators is more important.

### **Sequential or Non-sequential Strategy**

If the organization requires its employees to complete a specific stage in the socialization programme before moving on to the next position in the organization, it is called a sequential strategy. When the organization does not insist on the completion of such sequential stages in the socialization programme while allowing its employees to move to a position, it is called a non-sequential strategy.

### **Serial or Disjunctive Strategy**

When the experienced superiors conduct the socialization programme for the new employees before they are placed in the organization, it is called a serial socialization strategy. In contrast, the employee can join the designated position without even attending the socialization programme in a disjunctive strategy.

### **Tournament- or Contest-oriented Strategy**

In a tournament-oriented strategy, the new employees are grouped on the basis of their skill levels and educational backgrounds for the purpose of socialization. Separate socialization

programmes are then conducted for each of these groups. In contrast, no such groups would be made for the new employees of the same cadre on any basis in the case of a contest-oriented strategy.

### **Investiture or Divestiture Strategy**

When the socialization programme aims at reinforcing the values and beliefs brought in by the new employees, it is called an investiture strategy. This strategy is usually adopted when there is compatibility between the individual culture and the organizational culture. In contrast, the socialization programme attempts to modify or even annul the values and beliefs of the new employees in the case of a divestiture strategy. This strategy is employed when there is an incompatibility between the organizational culture and the individual's values and beliefs.

Organizations can choose any combination of strategies for accomplishing the objectives associated with their socialization programmes.

### **Placement**

Placement is the process of finding an appropriate fit between the people and the positions in an organization. It is actually the determination of the job which an accepted candidate is to be assigned to, and his assignment to that job.<sup>17</sup> When the organization chooses an exact number of candidates for the specific vacancies available in the organization, placement is simple and easy. In contrast, placement becomes crucial when the organization selects the candidates in a general manner and then places them in the jobs at a later stage. This kind of situation arises when the organization recruits management trainees, graduate trainees and engineer trainees. Organizations have to devote a lot of time and energy in choosing the right jobs for the selected employees.

Once the employee completes the stipulated orientation and/or training successfully, the next step is his placement in the job. Based on the employees' work performance and behaviour in the orientation programme, organizations choose not only the appropriate jobs but also the appropriate supervisors for placing the employees. In fact, the growing attitudinal problems and the high level of attrition arising out of incompatibility between the new employees and their supervisors compelled the organizations to adopt a careful approach in deciding the superior-subordinate pairs.<sup>18</sup>

On many occasions, organizations utilise the orientation programmes for identifying the behaviour, knowledge and attitude of the new employees. This information is then used to choose the appropriate placement for the employees. Similarly, organizations also use long and extensive training programmes for identifying the aptitude of the employees before placing them in suitable positions, especially in the case of managerial placements.

Placement is usually the last stage in the recruitment and selection process of an organization. The organization should find a proper balance between the job requirements and the employee's qualifications. Understandably, job description and job specification greatly assist the organizations in successfully completing the process of placement. The process of job placement also involves reassigning the jobs among the existing employees.

### **Challenges in Placement**

Though placement appears to be a simple function for an organization, it is not so in reality. Quite a few issues can cause the placement efforts to fail in the organization. The

failed placement may lead to increased attrition, thus pushing up the cost of recruitment and selection. It is therefore essential for the organizations to identify and overcome these challenges to improve the efficiency of the placement process. A few of these challenges are:

**Cultural and Behavioural Incompatibility** In the case of placement, organizations generally consider the job requirements and the employee's qualifications. They often overlook the behavioural requirements in the placement process. However, the organizations should consider the behavioural compatibility between the superiors and the freshly joining subordinates. They should ensure the fitness of the whole man for the job and not his skill alone. If they attempt to ensure an alignment between only a few aspects of the new employee and the job, it may become a piecemeal approach towards placement with significant chances of failure. Finally, cultural compatibility should also be considered in placement. This is because the culture differs within the organization and also from department to department.

**Nature of Job** The nature of job can also cause problems in placement. Jobs can be classified into independent and interdependent ones. Independent jobs are the ones that are performed by the employees with little help from others. Obviously, placement for these jobs is simple and straightforward.<sup>19</sup> In the case of interdependent jobs like assembly-line jobs in the production department and pooled jobs involving teamwork, job placement is a difficult exercise. This is because the organization should consider many factors before placing an employee in these jobs. For instance, the skills of socialization and leadership should also be taken into consideration to determine the match between the job and the employees.

**Level of Adaptability** When the employees exhibit a high degree of flexibility and openness, it can facilitate the process of placement. In contrast, placements become difficult when the employees exhibit stiffness. In such cases, the organizations should be more careful in finding the placements for these employees.

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## Summary

1. Employee orientation is the systematic process of offering essential information to new employees to make them feel comfortable in the organization and also in the job.
2. The purposes of orientation are formally welcoming employees, overcoming initial uneasiness and hesitation, exchanging information, assessing the employees, acclimatizing the employees, controlling the HR cost, developing team spirit, and socialization.
3. The types of orientation are general-idea orientation and job-specific orientation. It can also be classified into traditional and modern orientation.
4. The steps in the process of orientation programme development are (i) ascertaining the organization's policy, mission, and expectations relating to the orientation programmes; (ii) determining the objectives of the orientation programmes; (iii) determining the type of orientation programme; (iv) deciding the mode of delivery; and (v) gathering the participants' feedback.
5. The strategies for making an effective orientation are framing clear-cut objectives for the orientation programme, determining exactly the role of different departments and personnel in the orientation programme, assessing accurately the new employees' information requirements, selecting the appropriate methodology, techniques and programme content, creating a positive environment for the new employees, and continuous review and effective feedback.

6. The problems in orientation are data overload, boredom and rigidity, lack of adequate time and training for facilitators, the risk of failure and counter-effects, lack of diversity in orientation programmes and the absence of evaluation and follow-up.
7. The challenges in placement are cultural and behavioural incompatibility, the nature of job and the level of adaptability.
8. Socialization means the process of exposing the new employees to the organizational culture systematically and integrating them into it eventually.
9. The steps in the socialization process are (i) anticipatory socialization, (ii) organizational socialization and (iii) socialization outcomes.
10. The dimensions of organizational socialization strategies are formal or informal, individual or collective, fixed or variable, sequential or non-sequential, serial or disjunctive, tournament- or contest-oriented, and investiture or divestiture.

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## Review Questions

### Essay-type questions

1. Discuss the purposes of employee orientation with relevant examples.
2. Elaborate the various kinds of employee orientation programmes with suitable examples.
3. Enumerate the steps involved in the orientation programme development process.
4. What strategies would be adopted by you in making the employee orientation effective?
5. Explain the challenges facing the employee orientation process. Also state your suggestions for tackling such challenges.
6. What do you mean by job placements? What are the challenges faced by organizations while placing employees in the organizations?
7. Describe the stages involved in the socialization process with live examples.
8. Illustrate the different dimensions of organizational socialization strategies using examples.

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# Career Planning and Guidance

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 Define the objectives, features and process of career planning
- 2 List the steps needed to improve the effectiveness of career planning
- 3 Discuss the role of career guidance

TVS Motor Company of Chennai has an annual turnover of U.S. \$1 billion. It is one of the top ten automobile companies in the world. This company is engaged in the production of a wide range of two-wheelers like mopeds, scooters and motorcycles. It has a strength of nearly 5,000 employees. It has adopted several HR practices to promote employee well-being. In fact, it has not lost even a single day to industrial disturbances for several consecutive years.

TVS Motor believes in offering to its employees not just jobs but careers with long-standing companionship. The HR practices of the company are strongly oriented towards addressing each employee's aspiration to grow professionally and personally through efficient career development programmes. The company employs continuous training and development programmes as an HR strategy for attracting and retaining the best

talents. For instance, it has institutionalized the leadership development programmes as part of the career development for senior executives. It also conducts career development workshops to recognize individuals with high-growth prospects periodically. Its organizational career planning activities are supported by healthy career progression options with due recognitions and rewards.

As part of its long-term career development programmes, TVS Motor has developed tailor-made master's degree programmes in collaboration with the premier educational institutions in India. Similarly, it ensures periodic job rotation for its employees to help them develop varied perspectives. The systematic career development efforts of TVS Motor indicate the importance of career planning for the success of an organization in terms of employee performance and commitment, and we discuss it in detail in this chapter.

## Introduction

An individual's career signifies the positions held by him throughout his work life. An evaluation of a career would show the extent to which one has accomplished the specific career goals in life. A career can be viewed from two perspectives: objective and subjective.<sup>1</sup> An objective

perspective of career deals with the past positions held by an individual. In contrast, a subjective perspective looks at the career of an individual from the perspective of the future positions he is likely to hold. However, the basic assumption in any career perspective is that individuals exercise some sort of control over their future and can ensure optimum utilization of the available opportunities.<sup>2</sup> Organizations are expected to support employees in accomplishing their career and life goals through career planning activities. Career planning is the collective responsibility of the organization and the concerned individual. The process of evaluation of the different aspects of an employee like work performance and efficiency, self-worth, personality, lifestyle and career goals form the major part of career planning. The main aim of career planning is to help employees achieve career progression within the organization.

In a changing labour market environment with increasing demand for skilled labour, organizations are increasingly viewing career planning as a viable option to attract and retain an efficient workforce. When the employees are aware of the future plan of their organization for them, they may be more interested in continuing in the same organization. Moreover, those firms that actively involve their employees in career planning usually enjoy better patronage from them. Thus, career planning is an important technique for achieving better employee retention and cooperation. However, career planning is not a one-time activity for an organization. Rather, it is a continuing process of assessing the employees' performance and potential and throughout their career fulfilling their requirements on a regular basis.

The essence of career planning is the attainment of the employee's career and personal goals. The definitions in Box 7.1 encase these points.

We may define career planning as the process of identifying and accomplishing the employees' career objectives through a systematic way of skill identification, assessment and development.

## Features of Career Planning

Based on the interpretation of the definitions in Box 7.1, the following features of career planning have been developed:

- Career planning normally follows a bottom-up approach in which the process begins with the individuals, works upwards, and ends with organizational interventions.
- It is not a one-time affair but an ongoing process by which an employee identifies the needs and also the methods to fulfil those needs on a regular basis.
- It aims at matching the individual's career goals with the opportunities available.

### Box 7.1

#### Definitions

"Career planning is the set of policies and practices an organization uses to provide for its human resources requirements."<sup>3</sup>

—J. A. Sonnenfeld et al.

"Career planning is the deliberate process through which someone becomes aware of personal skills, interests, knowledge, motivations, and other characteristics; and establishes action plans to attain specific goals."<sup>4</sup>

—Gary Dessler

- It is a means of achieving employee progression and organizational efficiency and not an end in itself.
- It is the collective responsibility of both the individual employee and the organization.
- It is normally made in a dynamic environment where the changes in the demand for and supply of labour, the characteristics of labour, technology, competitive conditions and market strategies are rapid and often radical.

## **Objectives of Career Planning**

The primary purpose of career planning by the employees is to develop their career goals strategically and then achieve success by utilizing the available opportunities. The individual employees attempt to achieve career success by employing relevant skills and knowledge. In the case of organization, it is an opportunity to show its interest in and commitment to the well-being and growth of the employees. Of course, the organization also seeks to achieve optimum employee efficiency and loyalty. The primary responsibility for career planning lies with the employees but the supervisors, the line managers and the HR department have a collective responsibility in designing and developing realistic career plans. We shall now see the important objectives of career planning.

- Career planning facilitates the employees to develop not only their career goals but also the ways to achieve these goals.
- It helps individuals to remain competitive in the labour market by constantly upgrading competences as part of goal fulfilment efforts.
- It acts as the basis or standard for tracing the career progression achieved by an employee throughout his work life.
- It forms the basis for succession planning in the organization. It helps the organization in its preparation for the future by identifying and developing people for critical positions.
- Through career planning, an organization can attract and retain its best people for a relatively longer period of time.
- Career planning is viewed as an effective technique by the organization to limit the labour turnover and achieve better employee efficiency and commitment.
- It provides an opportunity for the organization to assess the strengths and weaknesses and also the area of development of the employees for the purpose of career planning and development.
- It forms the basis for determining the training and development requirements of each employee in the organization.

Box 7.2 outlines the role of talent management in career planning.

## **Important Terminology Used in Career Planning**

Familiarization with the following terms is essential for a better understanding of the working of career planning and development process.

**Box  
7.2****Talent Grooming at the Aditya Birla Group: A Career Development Initiative**

Career planning and development is a lifelong process for the employees. In fact, organizational career planning begins immediately after the placement of an employee. In many cases, even orientation programmes become the starting point of the career development of the employees. However, the important prerequisite in any career-planning programme is that each employee must have a personal career goal. Further, this personal career goal must be in agreement with the organizational career plans. It is also to be ensured that the organizational career planning efforts contribute to the fulfilment of the career objectives of the individuals. The organization should ascertain the career goals of the employees before placing them under any of the organizational career-development activities. In the absence of personal career objectives for the employees, the organization should help them in developing their own career objectives. The Aditya Birla Group is a case in point.

The basic assumption of the career planning programme of the Aditya Birla Group is “talent is ubiquitous”.

Certainly, each employee is gifted with some talents and it is an obligation on the part of the organization to identify and develop them. Once the existing talents of the individual employees are recognized by the organization, career development efforts begin through a talent management process. Training and development programmes are organized to leverage their strengths and focus on the areas of development. As part of the career development initiative, the Aditya Birla Group conducts programmes like developmental assignments, classroom training, coaching and participation in special project teams to enable employees to learn and develop skills and achieve career goals. Its specific programmes for the development of managers are rotational training, role changes, assignment matches based on the corporate goals and the individual’s interests, strengths and development needs.

*Adapted from:* <http://www.adityabirla.com/careers/talent-management.asp>.

## Career

Career, in general, is a sequence of upward movements in the career ladder achieved by an employee. It is normally accompanied by enhanced earnings, power and social security. It may also be described as “a series of separate but interrelated job activities that offer stability, order and meaning to an individual’s life”<sup>5</sup>

## Career Path

Career path refers to the systematic and deliberate advancement made by an individual in his career in the entire work life. It indicates the way in which one’s career has progressed. Of course, the career path is shaped by factors such as an individual’s knowledge, skills, ability and the opportunities actually available.

Career path can be classified into a general career path and individual career path. In the case of a general career path, the organization prepares different career paths for each job in the organization structure. This is done by analysing the position of the job in the organizational structure. In the case of the individual career path, the organization carries out employee analysis to determine the career path of each individual in the organization. It prepares an individual career plan for each employee.

## Career System

The term *system* normally means a set of inter-dependent parts with the required interaction forming a whole. Career system refers to the creation of an integrated employee development

system for supporting the career aspiration of the employees. Career information and assessment, career counselling, mentoring, and career guidance are the essential components of the career system. There are two types of career system, namely, a person-based career system and a position-based career system. Finally, when technology is used extensively in a career system for gathering, processing, storing, utilizing and disseminating information relating to career planning and management, it is called a career information system.

### **Career Management**

Career management is usually divided into personal career management and organizational career management. Personal career management means self-management of career by an individual. The individual becomes responsible for designing and executing his career goals. The organization takes limited or no responsibility for the career management of the individual. Obviously, personal career management is also called career self-management. In the case of organizational career management, the organization adopts a paternalistic approach towards the career management of the employees. It plays a dominant role in the development and execution of the career plans of its employees.

### **Career Counselling**

Career counselling is the guidance given by experts to the individuals about the path to be adopted by them in accomplishing their career goals. The career counsellor assists the employees in discovering their potentials and weaknesses. He also answers their queries about their career prospects and plans.

### **Career Anchoring**

Career anchoring refers to the factors that influence the selection of the individuals' career choices. It is normally based on an individual's own perception of his competencies and abilities called drives. For instance, the drives that influence an individual to take up a specific career are technical and managerial competencies, security and stability, creativeness, autonomy and independence.<sup>6</sup>

### **Career Cluster**

Career cluster refers to the categorization of different occupations. Jobs of similar nature are usually brought together under a career cluster.

### **Career Success**

The term *career success* differs in meaning from one individual to another, depending upon their perception of success. However, career success can broadly be classified into three categories: (i) the ability to live a good life outside the work; (ii) a fine performance in the job; and (iii) growing continually in the profession and also performing a demanding work.<sup>7</sup>

### **Process of Career Planning**

The career planning process involves the assessment of the factors influencing the career options in order to make an informed choice about career goals and its execution strategy. The steps involved in a career planning process are (i) self-assessment by the individual;

(ii) evaluation of the career opportunities available; (iii) undergoing career-oriented skill development exercises; (iv) matching and decision-making; and (v) implementation and review. These steps, shown in Figure 7.1, will now be discussed in detail.

### Self-assessment by the Individual

In the first step of the career planning process, the individual employee must make a realistic assessment of himself from the career planning perspective. This helps him know where he stands as of now and where he intends to move from here.<sup>8</sup> This self-assessment normally involves the identification of one's strengths, weaknesses, interests and desires. In specific terms, an employee must do a self-introspection to ascertain his skills levels, motivational levels, personality, values and beliefs, socialization skills, adaptabilities, personal and work-related preferences, and short- and long-term needs. This list may not be exhaustive but the employee should not miss out on any factor that could influence his career decision. An accurate self-assessment helps in making the right choice of job or profession.<sup>9</sup> The employee may also seek the assistance of his friends, colleagues, superiors and subordinates in assessing himself. Similarly, an organization can also assist the employees in the self-assessment process by conducting career planning workshops and individual career counselling, providing self-assessment material, establishing development centres and organizing mentoring programmes, besides outplacement programmes.<sup>10</sup>

There are several techniques available for the self-assessment of individuals. These include the strength and weakness balance sheet, the likes and dislikes survey, the Myers-Briggs Type Indicator (MBTI) assessment technique, and type focus assessment. A brief explanation about each of these techniques is provided as follows.

**The Strength and Weakness Balance Sheet** A balance sheet is made up of two opposite sides, namely, liabilities and assets. Similarly, an employee can also prepare a balance

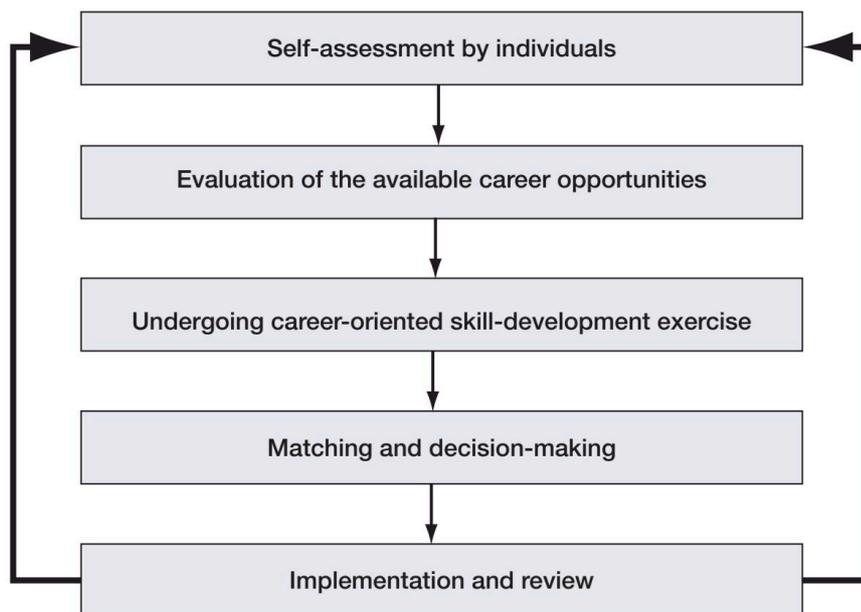


Figure 7.1

### The Career Planning Process

sheet with strengths and weaknesses as its two opposite sides. The list of the strong points of an employee assessed on a self-evaluation basis is shown on the strengths side. In contrast, the list of weak points is included on the weaknesses side. An evaluation of this balance sheet reveals the strengths that can help the employee in the career progression and the weaknesses that might restrict his career options and progression. The weaknesses would help him focus on the areas of development.

**The Likes and Dislikes Survey** This is a technique that enables an employee to be aware of his likes and dislikes in his work life. This would enable the employee to choose a career goal that suits his preferences. It can also help the employee comprehend the extent of restriction placed on his career options by his own attitude and behaviour. For instance, some people may not like to leave their hometown due to personal commitments. Similarly, people may have a special liking or disliking for nations, regions, demography size, culture, language, and so on. When the employee is absolutely clear about what he likes and dislikes in life, the chances of making erroneous career decisions would be fewer.

**The Myers–Briggs Type Indicator (MBTI) Assessment Technique** The purpose of this questionnaire is to identify the psychological preferences and personality of an employee. In fact, it helps employees in understanding his behaviour, attitude and preferences. This assessment technique would help an employee know whether he is an extrovert or introvert, whether he has a judging (decisive and logical) or a perceiving (open-ended and random) attitude, and whether he prefers an objective or a subjective analysis of information. This technique helps the employee assess his psychological characters in a highly systematic manner.

**The Type Focus Assessment** This technique helps in understanding the nature and type of personality of an individual. It enables the individual to gain insight into his own personality and the knowledge of it would enable him to decide his profession and also bring improvement in his behaviour.

## **Evaluation of the Available Career Opportunities**

Based on the self-assessment, the employee now attempts to connect himself with the career opportunities existing within the organization. As a first step in this stage, the employee makes an attempt to identify the career options available to him. For this, the employee must look to both conventional and unconventional sources to identify suitable career choices. From now on, career planning becomes the collective responsibility of both the individual and the organization. The organization normally gets involved in the process of identifying the future positions for which an employee can be considered. It also involves the manager, supervisors and subordinates in the process of helping the employees identify their career opportunities. Some organizations may begin this process immediately after an employee joins the organization or completes his orientation.

The organization may conduct performance evaluation periodically to identify the strengths, weaknesses, and the existing efficiency levels of the employees. This evaluation report may form a basis for identifying the appropriate future positions for the employees. However, in this stage, only a provisional selection of career opportunities is made with the limited aim of determining the training and development requirements of the employees. An elaborate and meticulous evaluation of job fitness and matching for employees would be done at a later stage.

## Undergoing Career-oriented Skill-development Exercises

In this stage, the employees become aware of their competency requirements from the career growth perspective. When the employees clearly discover their training and education requirements for achieving career goals, they should promptly begin to search for the appropriate sources for learning. The organization should take up the responsibility of providing the necessary learning to the employees to help them achieve career progression. It may employ the most suitable technique for facilitating effective employee learning. It may use any of the methods like self-learning, on-the-job learning, distance learning, e-learning, work-based learning and action learning.<sup>11</sup> The HR and training departments usually organize target-specific programmes for employees in skill enhancement exercises. However, some organizations may provide necessary training and education at the transition stage alone, i.e., at the time of promotion or transfers, while some others may provide training and education at periodic intervals.

## Matching and Decision making

Once the employees have worked on their problems, issues and concerns that could restrict their career progression, they would make the final comparison of the available career opportunities and their career goals. They develop a variety of possibilities that fit their career plans through brainstorming. An employee may finally settle for a strategy that best suits his career aspiration. Similarly, organizations may develop future opportunities for the employee through programmes like succession planning. In fact, career plans act as the basis for succession plans of a firm for filling the key positions in the future.

## Implementation and Review

Once the employees choose the career opportunity that suits their career goals best, they formulate specific strategies to accomplish the career goals. At this stage, the employees adopt a step-by-step procedure to successfully attain their career goals. Organizations usually develop career paths for employees and gradually move them on those predetermined career paths through promotions, transfers and, in some cases, demotions. There are many kinds of career paths available within an organization for the employees to move up the career ladder. These are conventional career paths, dual skill path, lateral career path, and network career path. We shall now see the different kinds of career path briefly.

**Conventional Career Path** In a conventional career path, employees move up from one job to another ranked immediately higher than their present job in the organizational hierarchy. It is actually a vertical mobility achieved through promotion. It is based on the assumption that each preceding job is a training ground for the succeeding job. However, this career path is often disturbed by external recruitment and employee attrition.

**Dual-skill Path** This refers to a situation in which the employee enjoys an option to decide between two career paths available in the firm. In case an employee is not willing to get promoted to a managerial position due to the additional responsibilities involved and the new skills required, he may opt for some other non-managerial position with increased duties and rewards. Often, people with sound technical knowledge and limited managerial skill make use of this type of career path. Other employees can, however, follow the normal career path existing in the firm.

**Lateral-career Path** This is a horizontal movement in the career path of an employee. To overcome the problems of job boredom and provide variety, an organization may provide lateral movement to its employees. Normally, such a movement is not accompanied with any pay hike. The aim of a lateral career path is to provide intrinsic satisfaction to the employees.

**Network-career Path** This is a combination of lateral and vertical movements. This method is adopted when the employee requires multi-skills and diverse experiences before being considered for any promotion in the future. In such a scenario, an organization may move the employee to different positions in the organization structure horizontally. A senior clerk in an insurance company may be posted to different sections—the accounts section, the claims section, the policy issuing section, the audit section and the business section, before being promoted to the post of the assistant administrative officer.

Since career planning is a continuous process for an organization, it is essential to conduct a proper review of career plans in terms of career outcomes and career success. The review enables the organization to understand the efficacy of the existing career planning system. The defects in the existing system should be identified and eliminated to make the planning process effective and up to date.

## Responsibility for Career Planning and Development

Though career planning is primarily the responsibility of the individual, the organization also has a duty in developing the career of its employees. An organization normally nominates the manager or the supervisor to assist its employees in career planning activities. Sometimes, it may seek the help of external experts for providing career guidance to its employees. Figure 7.2 shows the people responsible for career planning and development in an organization. We shall now see the role of these people in the career planning and development of employees.

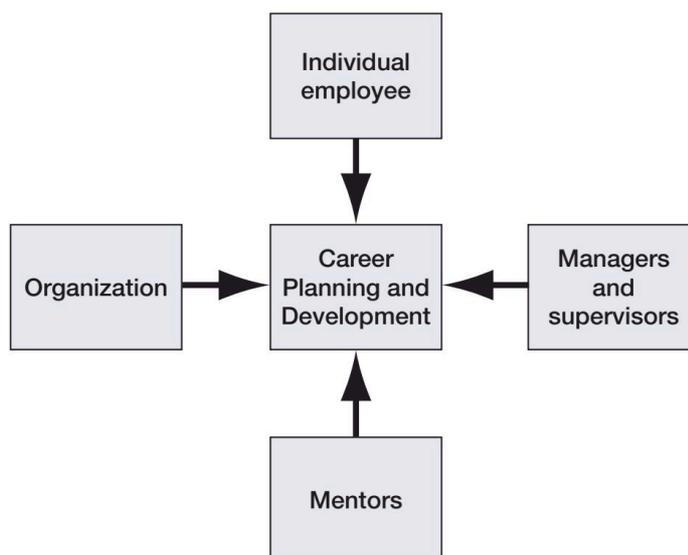


Figure 7.2

### Responsibility for Career Planning and Development

## Individual Employee

The ultimate beneficiary of any career planning programme is the individual employee for whom the career plans are actually made. It is therefore necessary to involve the employees in the programme. Self-assessment is the method adopted by the employees to identify their strengths and weaknesses as part of career planning. These employees are usually helped in self-assessment exercises by their organization through workshops, group exercises and other counselling sessions. Of late, computer-aided guidance systems are also being used to facilitate their self-assessment activities.

## Managers and Supervisors

The role of managers and supervisors in the career planning of their subordinates is crucial in an organization. Generally, managers are assigned to employees to help them in career planning. Employees have detailed discussions with these managers before finalizing their career plans. The managers offer guidance, counselling and other support to the employees with their expertise and efficiency. They also provide performance feedback to the employees.

## Mentors

In certain cases, an organization may appoint mentors to assist the employees in career guidance. Usually, people with relevant expertise are appointed as mentors to give helpful advice to the employees in their career planning. They may be from within or outside the organization. For instance, the managers, supervisors or any other knowledgeable member of the organization may act as a mentor for the employees. Alternatively, the organizations may also seek the services of external experts to act as mentors for its employees. The relationship between the mentor and the protégé (employee) may be formal or informal. A few prerequisites for good mentors are that (i) they should have a good self-image; (ii) they must have expertise in motivational and communication skills; and (iii) they must have the time and willingness to engage the employees adequately.

## Organization

An organization, through its HR department, may directly engage the employees in their career planning activities. It may establish training and development centres to educate them about the means and styles of career planning. It may also acquaint the employees with self-assessment procedures. These development centres can also provide feedback to the employees based on their performance in a simulated work performance.<sup>12</sup> The organization can also share information with its employees about the managerial philosophy, mission and policies for helping them understand the career opportunities available there. It may also provide them specific career information and career path details.

Employees may adopt one or more of the above mentioned methods for developing necessary career plans. Box 7.3 shows the career development initiatives of an organization.

## Merits of Career Planning

The merits of career planning are quite a few. Some of these have been listed as follows:

- Career planning helps employees in developing career goals and also in accomplishing those goals in a time-bound manner.

**Box  
7.3**
**Career Development Initiative at Infosys: A Wide-Ranging Endeavour**

Each organization develops its own technique for grooming the talents of its employees as part of the career development programme. For instance, a few organizations may endeavour to develop an enabling work environment for helping the employees achieve their full potential in work life. This environment should eventually help them in fulfilling their career aspirations. Some other organizations may leave the task of career-goal identification to the individual employees and facilitate the achievement of these career goals in a limited way. The degree of commitment towards the employees' career progression usually depends on the size of the organization, its financial strength, and its mission, vision and HR philosophy. The case of Infosys is an interesting example of career development measures.

Infosys believes in creating a favourable work environment that is committed to equipping the employees with skills and competencies necessary for their career and personal growth. It first establishes a best fit between an employee's career aspiration and its requirements. Then it develops several career streams for its employees to achieve their career progression and career goal accomplishments. These career streams are project management, customer interface, technical, programme

management, consulting (enterprise solutions), and consulting (domain competency).

As part of the career development process, Infosys's education and research department (E&R) offers technical and project management training to the employees at the Global Education Center in Mysore. Similarly, the Project Management Center of Excellence (PMCoE) strives to improve the project management competencies of its employees through multiple interventions by constantly developing consultancy capability, mentoring structures, training modules, and best practices. Further, Infosys has the Infosys Leadership Institute (ILI) for bringing about the personality development of the employees by improving their leadership and behavioural skills. Finally, it has an ES academy for training managerial employees in domain technology, project management and quality processes, and leadership. Besides these internal development programmes, it also encourages its employees to pursue professional studies like MBA, MCA, and CFA as part of the external career development initiative.

*Adapted from:* <http://www.rediff.com/getahead/2007/aug/03infy.htm> and <http://www.infosys.com/investors/reports-filings/annual-report/annual/Infosys-AR-08.pdf>.

- It facilitates employees in identifying the career opportunities available within the organization.
- It helps the employees determine their training and development requirements based on self-assessment.
- It helps the organization in finding a fit between the job requirements and the employee's knowledge, skill and abilities to choose the right persons for the jobs.
- It provides an occasion for the organization to identify the strengths and weaknesses of its workforce.
- It assists the organization in HR policy formulation. For instance, it facilitates the HR manager in deciding between internal and external sources of recruitment.
- It helps the organization in achieving enhanced job satisfaction, efficiency and commitment for its employees.
- It aids the organization in controlling employee attrition and related hiring costs.
- It assists the organization in developing succession plans for the critical positions in the organization. Thus, it enables the organization to make long-term investments on their employees through succession plans.

- It provides an opportunity to the organization to express its interest in the well-being and future of its employees.
- It enables the organization to achieve cordial industrial relations and thus ensure better cooperation from trade unions.
- It helps the organization in building goodwill in the labour market and thereby attract the best talents with ease.

## **Limitations of Career Planning**

Though career planning helps an organization in numerous ways, it has a few limitations that undermine the importance and relevance of career planning. These are:

### **Time Factor**

Career planning is usually a long-term and time-consuming process. It is based on the logic of suffering short-term pain to get long-term gains. However, organizations may not be ready to spend a lot of time and resources on a process that would prove beneficial only in the long term.

### **Unsuitable for Large Workforce**

It may not be possible for organizations with a large workforce to develop individual career plans for each and every employee of the organization. This is because the career plan process requires an in-depth analysis of each employee's strengths and weaknesses on a sustained basis.

### **Lack of Objectivity**

Only those organizations which believe in strict observance of objectivity in promotion and transfers can succeed in career planning. In contrast, favouritism and nepotism in promotions often make career planning an unsuccessful exercise.

### **External Interventions**

Government rules and regulations can also affect the career planning options of an organization. For example, the government may make it mandatory for the organization to adopt reservations in promotions, especially if it is a government organization or a public sector enterprise.

### **Lack of Knowledge and Awareness**

Career planning by an employee is essentially a self-management process. It requires the employees to be aware of the basics of career planning and management activities. However, the employees at the lower levels of the organizational hierarchy may not be familiar with the career planning process.

### **Lack of Flexibility**

Many organizations treat career planning as a ritualistic, rigid exercise. They often fail to consider the uncertainties caused to the career planning activities by the changes in the situation. In fact, the absence of dynamic career planning programmes may limit the applicability of the career plans in uncertain and changing situations.

### **Difficulty in Measuring Career Success**

Since career success is an abstract concept, it is interpreted differently by different persons. Some may consider a good performance in the job as career success. Others may consider the quality of life as an indicator of career success. Still others may consider the vertical mobility in the organizational structure as career success. This divergence of opinions may cause confusion and vagueness in interpreting career success.

### **Measures to Improve the Effectiveness of Career Planning**

Since career planning is basically a self-development exercise, the prime responsibility for career planning lies with the employees. But the organization cannot shirk its responsibility in the career planning and development of its employees. In fact, an effective career programme can help both the employees and the organization immensely. An organization can adopt the following steps to enhance the effectiveness of career planning.

#### **Developing Career-related Attitude**

An organization must encourage its employees to develop a career-related attitude. This would prompt them to explore their behaviour systematically by assessing their strengths and weaknesses.<sup>13</sup> It should also help its employees in determining their career values and goals. In the absence of a career focus, the employees may not equip themselves adequately for utilizing the future career opportunities. Therefore, the organization should conduct workshops and other educational activities to orient the employees to the relevance of career planning.

#### **Achieving Flexibility in Career Planning**

Career planning is an effective tool for an individual to accomplish his career goals. However, care should be taken to ensure that it does not become a rigid exercise. Too much rigidity can make the exercise ineffectual and unrealistic. This is because the environment affecting the career plans and prospects is built with uncertainty and changes. Thus, career planning should be sufficiently flexible to accommodate the changes in the environment.

#### **Ensuring Cooperation of the Top Management**

The important prerequisite of career planning success is the complete support and involvement of the top management. The management should view career planning as a means of expressing its support and commitment to the future growth of the employees. It should also realize that the employees' performance and loyalty can be enhanced through career development programmes. Hence, career planning and management should become a part of the management philosophy and vision.

#### **Clarity in Career Goals**

Many of the future activities of an organization and the employees are based on career goals. For instance, career goals and plans play an important role in determining the extent of training and development programmes required for an employee. Lack of clarity in career goals can distort the career decisions. It should, therefore, be ensured that the employees have

adequate clarity about their career goals and career opportunities, in addition to knowing their strengths and weaknesses, personality and work environment.

### **Proper Review and Feedback**

A career is influenced by a variety of factors and often requires timely modifications, depending on the nature and extent of changes in the environment. Career planning and goals should be reviewed periodically to determine the relevance of career goals in the current context. Feedback should be collected from the employees to know the general efficacy of the career planning process of the organization. Feedback-based reviews can also help the organization in determining the measures required for further improving the utility and relevance of organization career planning. Therefore, the organization should develop effective ways to get feedback from all those associated with the career planning process.

### **Objectivity in Promotions and Transfers**

When the employees are not sure about objectivity in managerial decisions concerning promotions and other HR decisions, they may not take the career planning activities seriously. This would also undermine the credibility of the organizational career plans for the individual employees seriously. The management should never be seen to be dithering in its promotional policies and their execution. Thus, the management should certainly avoid favouritism and nepotism in promotion and succession planning.

### **Establishing the Necessary Infrastructure**

Organizational career planning often requires the organization to undertake extensive training and development programmes for its employees to make them fit for future promotions. In the absence of adequate training facilities, the employee may not gain any substantial benefit out of career planning activities. Therefore, the organization should develop adequate infrastructure for effectively implementing the career plans meant for the employees.

### **Developing Measurable Career Outcomes and Success**

Since career satisfaction is an abstract psychological concept, it may be interpreted differently by different people. It is, therefore, desirable for each organization to develop a set of common metrics for measuring career success. This can also help the organization in reviewing the effectiveness of the career planning process.

### **Effective Mentoring as Part of Career Planning**

Organizations often undertake mentoring to develop the skills and abilities of their employees. Thus, mentoring is an important part of many career planning programmes. Building a successful and committed mentoring relationship is essential for effective career planning and guidance. Organizations should make every effort to involve managers and supervisors effectively in mentoring programmes to improve the skills of the employees and to provide them career guidance.

### **Simplicity and Transparency in Career Planning Programme**

An organization should ensure that its career plans for its employees are simple to understand and possess an easy-to-operate style. Every employee of the organization should be able to

understand the career planning process and programmes without any difficulty. Similarly, it should ensure complete transparency in the functioning of its career plans so that the employees have no grievance against them.

At this stage, a comparison of the three forms of career intervention programmes can facilitate better understanding of each of these—mentoring, coaching and counselling. Table 7.1 compares and contrasts the three important forms of career intervention.

## Career Guidance

Career guidance refers to a series of processes aimed at assisting the employees to make informed career decisions and achieving career and personal development. The activities that usually form part of the career guidance programme are informing, advising, counselling, evaluating, enabling, advocating and providing feedback.<sup>14</sup> Any effective guidance or counselling provided as part of career guidance should fulfil a few basic conditions. These conditions have been listed as follows:<sup>15</sup>

- Career guidance must be in conformity with the purpose and general direction of an employee's career and, as such, this purpose and direction should form the basis for future guidance and counselling programme.

**Table 7.1 Three Important Forms of Career Intervention**

<i>Basis</i>	<i>Mentoring</i>	<i>Coaching</i>	<i>Counselling</i>
Type of intervention	Long term	Short term	Short term
Type of interaction	Informal	Structured	Informal
Outcome	Career and personal development of mentee	Understanding and resolving the developments and issues at work	Understanding and resolving long-standing performance problems/ issues at work
Focus	Broader focus	Narrow focus	Broader focus
Nature of experience for the instructor	The mentor has direct experience in the mentee's job.	The coach need not have direct experience of the client's formal job.	The counsellor need not have direct experience of the client's formal job.
Type of goal	Achieving long-term future goals	Achieving specific and immediate goals	Achieving immediate goals but the effect of counselling can last longer
Type of issues	General issues	General issues	Psycho-social issues
Frequency of meetings	As and when required by the mentee	Conducted on a regular basis for a predetermined period	As and when required by the client

*Adapted from:* "Coaching and Mentoring – What's the Difference"; available at [http://www.brefigroup.co.uk/coaching/coaching\\_and\\_mentoring.html](http://www.brefigroup.co.uk/coaching/coaching_and_mentoring.html).

- The fundamental aim of career guidance activities is to develop the skills and competencies of the employee through all possible ways. Certainly, skill development efforts would require a good understanding of the employee's personality and the actual conditions.
- Career guidance should be situation-oriented. It should be provided only in the context of the career opportunities available within the organization. Thus, it is purely context-based.
- Career guidance must consider the interest not only of the individual but also of the organization. It should be insisted that the employees would get career advancement only when they are really fit for future positions. Employees must be advised to equip themselves adequately through proper learning before seeking promotions. On its part, the organization should recognize the skills and abilities acquired by the employees appropriately and reward them duly. Thus, career guidance is fundamentally interactive in approach.
- Career guidance must consider both the past activities of the employees and their future potential for providing guidance and offering advice to them. Thus, career guidance considers the time perspective since the past forms the basis for the future.
- Career guidance should consider not only the ability of the employee in negotiating a better career opportunity for himself but also his ability to face and withstand uncertainties and unexpected outcome in such negotiations. Thus, the degree of endurance and flexibility of the employee must also be considered.

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## Summary

1. Career planning refers to the process of identifying and accomplishing the employees' career objectives through a systematic way of skill identification, assessment and development.
2. The steps in the career planning process are: (i) self-assessment by the individual; (ii) evaluation of the career opportunities available; (iii) undergoing career-oriented skill-development exercises; (iv) matching and decision making; and (v) implementation and review.
3. The self-assessment techniques are the strength and weakness balance sheet, the likes and dislikes survey, the Myers-Briggs Type Indicator (MBTI) assessment technique and the type focus assessment.
4. The types of career path are conventional career path, dual-skill path, lateral-skill path, and network-career path.
5. The responsibility for career planning lies with the individual employee, the manager and supervisor, the mentor, and also with the organization.
6. The limitations of career planning are: time-consuming process, unsuitability for a large workforce, lack of objectivity, external interventions, lack of knowledge and awareness, mechanical nature of the process, and difficulty in measuring career success.
7. The steps to improve the effectiveness of career planning are: developing a career-related attitude, achieving flexibility in career planning, ensuring top management's cooperation, clarity in career goals, proper career review and feedback, objectivity in promotions and transfers, establishing the necessary infrastructure, developing measurable career outcomes and success, effective mentoring as part of the career planning, and simplicity and transparency in career planning programme.

## Review Questions

### Essay-type questions

1. Evaluate critically the career planning process with relevant examples.
2. Enumerate the various techniques used for facilitating self-assessment by employees.
3. Discuss in detail the role of different persons in developing career plans and conducting career development programmes.
4. Evaluate critically the merits and limitations of career planning process.
5. Illustrate with examples the steps to be adopted for enhancing the effectiveness of career planning programmes.
6. Enunciate the conditions to be fulfilled for achieving effectiveness in career guidance programmes.
7. "Career planning is successful for the long-term survival of an organization." Discuss.
8. "Career planning and development are suitable and effective only for large-scale businesses." State your arguments.
9. Identify the relevance of career planning and development programmes for Indian industrial organizations.
10. How will you prepare a career plan for a new employee joining as the management trainee in finance department?

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# Employee Training

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 Understand employee training
- 2 Assess training needs
- 3 Learn the steps in an employee training process
- 4 Evaluate employee training programmes
- 5 Discover the issues in employee training
- 6 Explain an effective training programme
- 7 Present an overview of e-learning

Reliance Industries Limited is one of the largest private sector companies in India with a 24,000-strong workforce. This Fortune 500 company has won several awards for its training policies and programmes. For example, in 2007, it won the Golden Peacock National Training Award, the American Society for Training and Development (ASTD) Excellence in Practice Award and the CNBC-TV18-instituted Jobstreet.com's Jobseekers' Employer of Choice Award. The company believes in people empowerment through five scalable approaches—greater knowledge, opportunity, responsibility, accountability and reward.

Reliance Industries has spent almost a total of 160,253 man-days over the years to train its employees. Its training objective is to groom people both in the personal as well as professional capabilities. The company believes in achieving competitive advantage through consistently efficient human capital. It has a wide range of varied customized training

programmes to cater to the specific needs of the assorted workforce and meet its strategic goals. For instance, it has several target-oriented training programmes for its employees like the ones for competency development and soft skills learning. It also conducts 360 other programmes to meet the diverse skills needs of its employees. One such unique training programme for new recruits is called the Dronacharya Scheme. Under this programme, senior personnel (*Dronacharyas*) take charge of two to three new employees (the *Arjunas*) and train them intensively for independent positions in three to six months. Through its different training programmes, the company seeks to develop competitive advantage through its human capital.

The example of Reliance showcases the significance of training programmes in the accomplishment of corporate goals. We shall now discuss the relevant aspects of employee training in this chapter.

## Introduction

Training is, essentially, a value-addition activity undertaken by an organization to enrich the value of its core assets, namely, its people. It plays a vital role in enhancing the efficiency, productivity and performance of the employees. It is a learning process that helps employees acquire new knowledge and the skills required to perform their present jobs efficiently. Rapid technological developments and the resultant changes in the production process have compelled the management of various companies to treat training as a continuous process of the organization. In fact, the strategic goals of an organization usually form the basis for its training programmes. Training typically comprises predetermined programmes to achieve the desired performance efficiency at various levels—individual, group and organizational. In simple terms, training is all about making a difference between where the worker stands at present and where he will be after some point of time.

Training is usually a short-term skill-development exercise meant for non-managerial employees either to learn a job or to overcome their deficiency in the performance of the present job. The success of any training programme lies in recognizing the training needs within the organization and then designing and implementing training programmes based on those needs in order to carry out a continuous upgradation of knowledge, skills and employee attitudes. In fact, sustained training efforts by an organization usually lead to the creation of a highly competent and motivated workforce that is all set to take on the challenges of performance and productivity. Undeniably, organizations can think of achieving success in the globalized market only when they can ensure that their employees perform to their fullest potential.

Although training is defined variously by experts, the core element of any training is the skills acquisition by workers at the non-managerial levels (see Box 8.1).

To sum up, we can say that training is the process by which an employee acquires the necessary knowledge and skills to perform the job.

## Significance of Employee Training

Today, Indian organizations have realized the importance of training as a tool to achieve their strategic goals. It is not viewed by the organization as a cost any longer but as an investment on one of its most dynamic assets, namely, employees. Many organizations consider training

**Box  
8.1**

### Definitions of Training

“Training is the creation of an environment where employees may acquire or learn specific, job-related behaviour, knowledge, skills, abilities and attitudes.”<sup>1</sup>

—Terry L. Leap

“Training is the act of increasing the knowledge and skills of an employee for doing a particular job.”<sup>2</sup>

—Edwin Flippo

“Training is the formal and systematic modification of behaviour through learning which occurs as a result

of education, instruction, development, and planned experience.”<sup>3</sup>

—Michael Armstrong

“Training is any process by which the attitudes, skills and abilities of employees to perform specific jobs are improved.”<sup>4</sup>

—Michael J. Jucius

“Training refers to the methods used to give new or present employees the skills they need to perform their job.”<sup>5</sup>

—Gary Dessler

as a strategic employee retention tool. It helps the organization create a smarter force capable of meeting any situation and challenges. We shall now discuss the significance of training in detail.

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

Training helps in enhancing the technical knowledge and skills of the employees at every level of the organization. It enables them to learn new skills and knowledge continuously so that they remain up to date. In fact, the improvement of skills is no longer optional for the organization but a matter of compulsion, due to the growth in technology and improved processes.

### **Effective Utilization of the Existing Human Resources**

Training results in improved performance, which, in turn, facilitates optimum utilization of the available human resources. It also enables the employees to accomplish the organizational goals as well as their personal goals effectively. In fact, improved performance, being a bottom-line purpose of training, is a strategic goal for organizations.<sup>6</sup>

### **Enhancement of Customer Satisfaction**

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

### **Enhancing Competitive Advantage**

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

### **Enrichment of Team Spirit**

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

### **Ensuring Personal Growth**

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

### **Enabling a Learning Culture**

Training helps in creating a learning culture within the organization. Successful organizations recognize that well-structured and significant employee learning programmes connect well with their long-term strategic success.

## Establishing a Positive Organizational Climate

Training enhances the interaction and understanding between the employers and the employees. It helps build a good labour–management relationship and ensures that the individual’s goals align well with the organizational goal. Thus, it aids in creating a positive perception and feeling about the organization. The collective feeling of the employees about their organization is called the organizational climate.

## Encouraging Better Health and Safety Measures

Training helps in improving the health and safety of the employees. Safety training teaches the employees about the safety measures to be followed and also the best and secure way of performing a job. It minimizes the problems of industrial accidents and sickness. Thus, it assists in the development of a healthy working environment.

## Ensuring Organizational Growth and Development

Training aids in organizational development since it helps in developing leadership skills, motivation, loyalty, communication and other aspects required for successful employees. It facilitates the establishment of effective decision-making and problem-solving processes. It also helps in understanding and carrying out organizational policies. Box 8.2 outlines the significance of training as a long-term investment.

## Assessing Training Needs

The assessment of training needs is an important job for the HR department. It is usually done at two levels. At the first level, the training needs of the individual employees are assessed. At the second, training needs are assessed for different groups in the organization. The training needs assessed at group levels are usually referred to as the organizational-need assessment. Normally, the employee skills inventory is prepared to identify the likely skills shortage in the organization. Skills inventory is an estimation of the kind of skills possessed by the employees while skills shortage is the situation where the required skills are more than the available skills. In fact, skills shortage is an indication of the need for training at the organizational level.

### Box 8.2

#### Training for the Amplification of Skills: Tata Motors

Training is at the heart of the consistent efforts made by organizations to improve employee competency and organizational performance. Each organization adopts its own style and techniques for training its employees. However, the basic intention of any organization in conducting the training programmes is to create a cordial atmosphere for the employees to work, learn and grow.

It is pertinent here to see the training programmes of Tata Motors. It conducts rigorous programmes

like in-house vocational training and apprenticeship to train its technicians. Further, it organizes structured training programmes, rotational assignments and cross-functional mobility programmes to help its employees gain expertise in multiple tasks. Tata Motors views its training programmes as long-term investments in its human resources.

*Adapted from: [www.tata.com](http://www.tata.com).*

The individual employee's training needs can be assessed by comparing the actual performance of the employee with the standard performance. The deficit in performance will indicate the nature and extent of the need for his/her training programmes. The individual employee may also require training at the time of transfer and/or promotion in order to learn the new job.

To determine the training needs of its employees, an organization should involve as many sources as possible and then decide on the best one that can provide reliable information. We shall now discuss each of these sources.

### Performance Evaluation

Performance evaluation reports help in assessing the training needs at the individual levels. The current performance of an employee is an important indicator of his training requirements. Normally, those employees who perform poorly in the performance evaluation are identified for training.

In addition, an organization may review productivity reports, performance scores, absenteeism records and attrition reports to assess the actual performance of the employees. This information can provide vital inputs to determine the nature, type and extent of training for each of the employees. Box 8.3 shows the role of performance management in training needs assessment.

### Job Analysis

Job description report and job specification report can be examined to decide the skills, abilities and knowledge required to perform the job effectively. They may form the basis for determining the training requirements of the job holders.

### Attitude Survey

Attitude survey is a process of gathering information from the employees about the various aspects of the organization. The information about the attitude of workers towards their work environment, their level of awareness, and their views on the relevance of the existing

#### Box 8.3

#### Performance Management: A Tool for Training-Needs Assessment at ACC

An assessment of training needs is a complex task for any organization simply because it has to be made for various categories of employees—new entrants, experienced employees—both at the managerial and non-managerial levels at different points of time and on a continuous basis. The objectives of training programmes can be accomplished only when the training addresses the real problems of the employees. However, the success of the assessment depends only on the accuracy of the information collected about the employees and the reliability of the utilized sources. Usually, organizations adopt multiple sources to gather such information.

The training-assessment technique of ACC Limited is a case in point. It keeps a specific provision in the performance management system called "Competency Assessment and Training and Developmental Needs" in which performance evaluators have to identify and assess the training needs of the employees. Based on the information generated, the company focuses on the functional and skills enhancement of the employees. The emphasis in the training is on skills and general performance enhancement, communication skills and the career development of the employees.

*Adapted from: www.acc.co.in*

training programmes and the future training requirements can be ascertained. The findings of these surveys can form the basis for assessing the training needs.

### **Advisory Panel**

An organization may constitute panels comprising the representatives of the management and those of the employees to decide on the training needs. The panel has to assess the existing skills requirement before deciding on the number and nature of the training programmes required for a specific period. Based on its reports, the organization may take appropriate measures.

### **Ability Test Score**

An organization can give ability tests to its employees to identify their existing levels of skills and abilities. The results can then be compared with the standard skills requirements to determine the need for and extent of the training programmes.

### **Feedback**

The feedback from the customers, the employees and all others who are important to the business can help in determining the training needs. For example, customers can provide feedback about the product flaws, the performance deficit, and the employees' behavioural problems. Similarly, the employees who quit can provide vital clues to the weaknesses of the organization in general and its training programmes in particular at the time of exit interview.

### **Scope of Training**

The reach-out of training programmes is far and wide. Depending upon the nature, duration and purpose of the training programmes, the trainees may acquire attributes like skills, knowledge, analytical acumen, concepts, attitudes, and ethical values. Let us see these attributes briefly.

### **Knowledge**

The basic purpose of any training programme is to provide the participants with the requisite knowledge to achieve the goals of the job. Knowledge is generally developed through the processes of perception, learning and reasoning. The employees may require the knowledge of the machines to be operated, of the materials or equipment to be handled, of the procedures to be adopted, of the customers, the co-employees and their behavioural patterns. For instance, when the organization finds the existing skills and knowledge of the staff inadequate to achieve the strategic goals and objectives, training is considered.<sup>7</sup> Training imparts job-related knowledge to the participants and enables them to understand what they must do in their job and how they should do it.

### **Skills Acquisition**

Skill is defined as an ability to produce solutions in some problem domain. It is developed progressively by persistent training and other practices. Employees may require one or more

skills like intellectual skills, management skills, social skills, motor skills, mental skills, technical skills and perceptual skills. In general training, employees learn those skills that are necessary to do the jobs on hand effectively and to apply their knowledge productively.

### **Attitude Formation**

Attitude is the mental state of an individual concerning his beliefs, feelings, values and tendencies that influence him to behave in one way or the other. In an organization, the employees may have a positive or negative attitude towards the job, organization and people. A negative attitude may cause suspicion and mistrust in the actions of the organization and make the employees resist changes with all their might. Employee training programmes can bring about the desired changes in their attitude and instil in them a sense of cooperation, motivation, commitment and satisfaction.

### **Ethical Values**

Ethics are the principles of right and wrong that are accepted by an individual or a social group. The management of human resources often calls for decisions involving ethics, fair treatment and justice. The presence of ethics policies and codes alone is not sufficient to ensure ethical behaviour among the employees. Organizations should supplement those policies with the necessary training on ethical practices. These trainings can help employees understand the presence of ethical dilemmas in situations requiring decision making, learn the techniques of using ethical codes to settle problems involving ethical dilemmas in a fair and just manner and, lastly, ensure the adoption of ethical values in every aspect of their dealing with the people.

### **Analytical Reasoning**

Analytical reasoning refers to the systematic way of thinking to comprehend the problems, develop alternative plans of action, choose the best course of action and implement the selected plan to successfully resolve the problems. Continuous training programmes provide the necessary impetus to sharpen the analytical reasoning and problem-solving skills of employees.

## **Steps in an Employee Training Process**

Changes in the internal and external situations are inevitable and, thus, training becomes a continuous process. The general purpose of any training process is to train employees to be able to look for and respond to changes in a successful way. As illustrated in Figure 8.1, the training process usually involves six steps. These steps have been explained briefly as follows:

### **Determination of the Training Needs**

The first step in a training process is to identify the specific operational skills to be developed for performing a job. A methodical approach to identify the real needs must be undertaken. In fact, there are several sources available to an organization to assess its training needs (discussed earlier under the Section, "Assessing Training Needs"). Generally, to recognize the training needs of the employees, an analysis at one or more of the following three levels is undertaken.

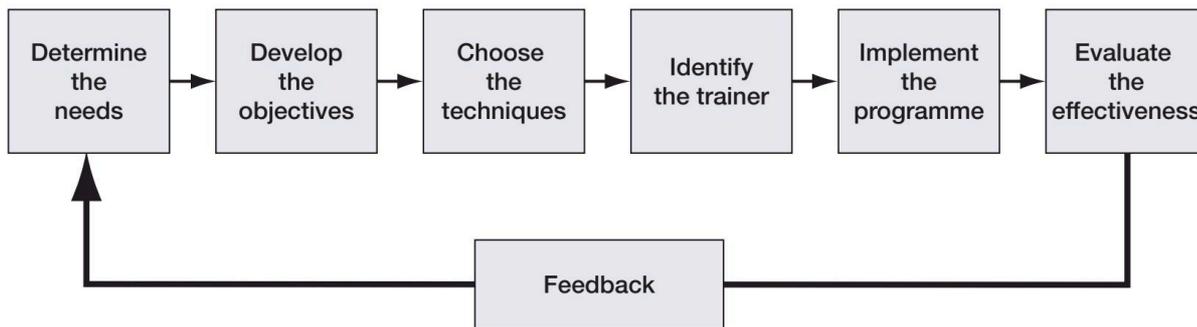


Figure 8.1

### Steps in the Training Process

**Organization Analysis** This focuses on identifying areas in the organization where training is needed. The aim is to connect the training needs to the achievement of the organizational goals. At this level, the strategic mission and vision, corporate goals and plans of the organization are examined carefully and then compared with the existing manpower inventory to determine the training needs.

**Operation Analysis** This involves the proper examination of the work to be performed after training. It focuses on the tasks that are required to be performed to accomplish the organizational goals. It also involves the collection of information about the competencies required for effective job performance. An examination of the operating problems like customer grievances, downtime reports and quality issues along with the performance evaluation and the interview of the employees can offer information for the determination of the training needs.

**Individual Analysis** This focuses on deciding about the individual training needs. The difference between the actual performance and the standard performance of an individual indicates the training needs. Actually, individual analysis deals with questions like who should be trained and what should be taught. It involves asking pointed questions to find out exactly what job knowledge and skills the person must have in order to perform well.<sup>8</sup>

### Development of the Training Objectives

Once the training goals have been established, the next step is to determine the specific objectives of the training programmes. Each training programme can have its own objectives. However, these objectives must be directly related to the assessed training needs and should also focus on satisfying those needs. In essence, training programmes must have clear and concise objectives and must be developed to achieve organizational goals.<sup>9</sup> It is absolutely essential to have concrete and measurable goals; otherwise it would be difficult to evaluate the effectiveness of the training programmes. For instance, abstract goals stated in emotional terms like improving satisfaction and reducing anger are usually difficult to measure and, thus, render it almost impossible to measure the effect of the training programmes accurately.

### Selection of the Training Techniques

The next step involves decisions regarding the training techniques to be used in the programme. Based on the training needs and goals, an appropriate training method should be chosen to achieve the desired results. Though there are several techniques available to train

the participants, each technique is unique and there are definite differences existing among these techniques about how well each one serves the various objectives. Broadly, these techniques are classified into two categories. These are: on- the-job training methods and off-the-job training methods. On-the-job training means imparting real-time training at the work spot, even while doing the actual job. Off-the-job training means training at a place away from the work spot and in formal classrooms. (The methods of training have been discussed later in the chapter in detail.)

### **Identifying the Trainer**

Once the training method has been decided, the next important step is selecting and training the trainers for the programme. This is a critical step because the success of the whole training effort relies greatly upon the competency and ability of the trainers. The tasks of designing, organizing, implementing and pre- and post-assessment of the training process are usually entrusted only to these trainers. They must be adequately competent, knowledgeable and mature people with effective communication skills. They must also be familiar with the company's philosophy, objectives, structure, culture and the specific purposes of the training programme.

### **Implementing the Training Programme**

Once the training methods and trainers have been decided, the next step is the actual implementation of the training programme. For successful implementation, some of the prerequisites are the convenience of location, the comfortableness of the training facilities, the quality and adequacy of the provided materials, and the timing and duration of the programme. Similarly, frequent interaction between the trainers and the trainees can also be encouraged to ensure their involvement in the training process.

However, the implementation stage is often fraught with a lot of practical difficulties. For instance, training is often viewed as a process to effect change and hence viewed with mistrust and suspicion by the employees. Besides, it frequently clashes with the full-time duties of the employees and this may pose problems in determining the training schedule along with the present work requirements. Obviously, the regular work schedule might be disturbed when the employees are away from work for training purpose. Another difficulty in the execution of the training programme is keeping appropriate records. Unless proper records of the performances of the employees are kept before and after the training programme respectively, it would be difficult to determine the net gains of the employees achieved through the programme.

### **Evaluation of the Training Programme**

This is the final step in an employee training process. For an effective evaluation, it is essential to pre-assess the attributes to be emphasized in the training like the knowledge, skills and attitude of the employees ahead of the training programme. Understandably, an evaluation of these attributes after the training will facilitate a meaningful comparison to determine the effectiveness of the training programme. The absence of such facilities for comparison will make it difficult to evaluate the utility of the training programme for the trainees. Hence, it is imperative that the training efforts be documented to demonstrate that training provides a valuable service. (See the section on training evaluation.)

## Methods of Training

A broad range of training methods is available to an organization to deliver training to its employees. Based on the training goals and need assessments, an appropriate method may be chosen. There are two options available to an organization while deciding on a training programme. It can either design its own programme or get an externally available package and make modifications in it to suit the purpose and requirements of its training programmes. As listed in Figure 8.2, training methods are broadly divided into two categories namely, on-the-job training and off-the-job training. We shall now discuss these training methods in detail.

### On-the-job Training Methods

It is a method in which employees learn their job by actually doing it. This type of training is usually practised on a day-to-day basis along with or as part of the job. The basic idea behind the adoption of this kind of training is to transfer the skills and knowledge from a highly competent and experienced employee to a new one, while sustaining the productivity of both. Almost every new employee gets on-the-job training to become skilled at his job. In many organizations, on-the-job training may be the only one available.<sup>10</sup> The various kinds of on-the-job training have been explained as follows.

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

**Job Rotation** The purpose of this method is to expose employees beyond the scope of their present knowledge. The employees are moved from one job to another just to widen their skill, knowledge and experience. Job rotation training programmes are frequently applied by organizations to promote effective teamwork.<sup>11</sup> Job rotation aids the employees in comprehending a variety of jobs and in acquiring multi-skills to manage these jobs comfortably. It also presents the organization with wide options to effect personnel changes to achieve the desired productivity and strategic goals. Organizations practise rotational programmes primarily for entry-level jobs to impart skills to the new employees that will enable them to perform multiple jobs.

**Internship and Assistantship** Internship is concerned with gaining supervised practical experience, especially by a medical graduate. Lately, it has been gaining acceptance in business organizations as well. As a training technique, it permits the participants to combine the theory learned in the classroom with the business practices. In fact, it is a unique kind of recruitment-cum-training that calls for positioning a student in a temporary job without any obligation for the company to hire him permanently after training. Similarly, there is no obligation for the student to agree to the job offers of the company after finishing his studies.

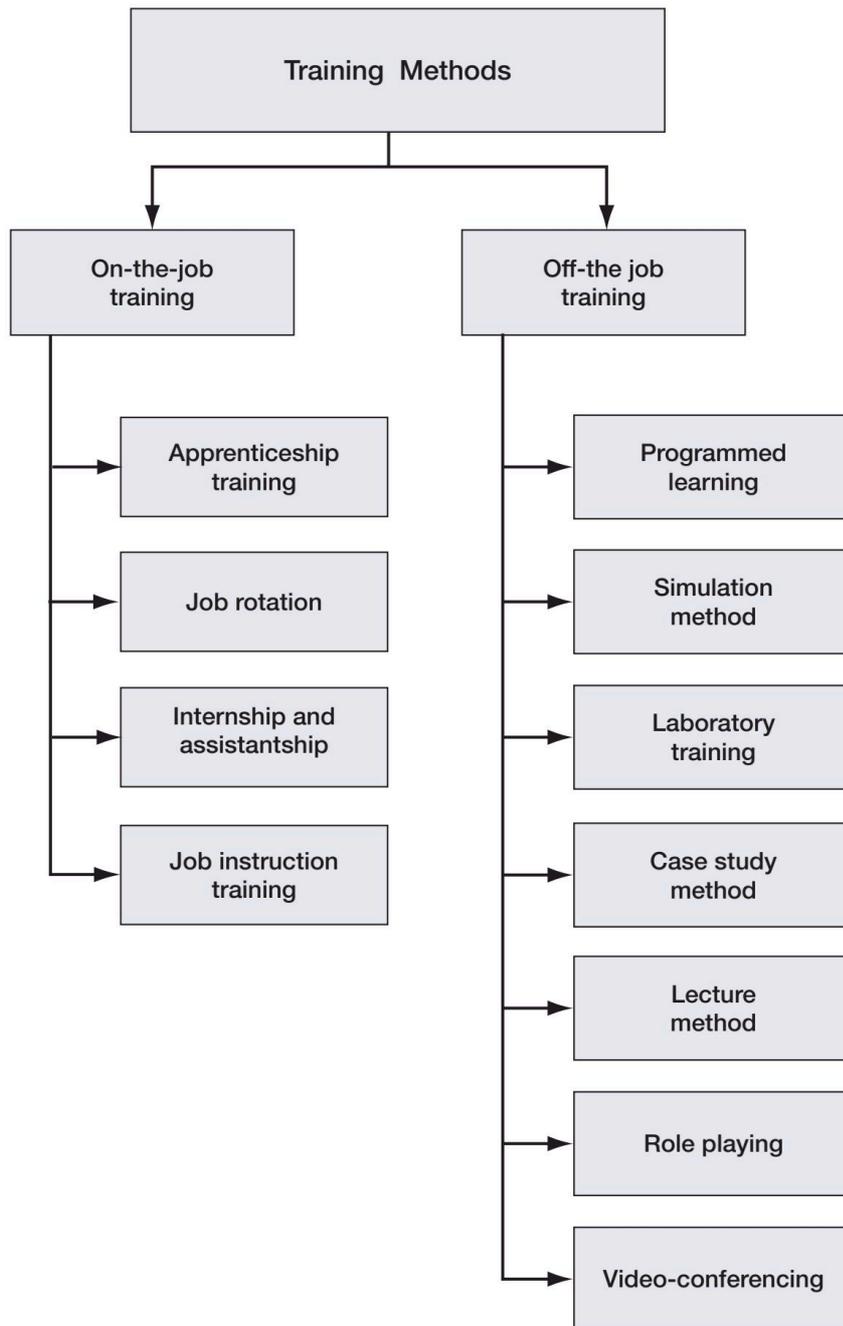


Figure 8.2

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**Assessing Training Needs**

Internship is usually beneficial to both the parties. For instance, the interns help the organization do the needed tasks and, in turn, gain hands-on experience with the job and first-hand knowledge about the prevailing business practices. If the participant accepts the job offer of the company that provided internship, the company actually gets a trained person to perform the offered job. The best feature of an internship is that it lets the employers try out future employees prior to making a job offer.<sup>12</sup> Box 8.4 shows the relevance of internship as one of the training methods.

**Box  
8.4****Industry and University Cooperation: Internship Programmes at HUL**

Internship is today viewed as a recruitment-cum-training process by many organizations. The organization allows students in higher education to work for it as part of their academic requirement even while pursuing their studies. The purpose of internship is to help the students apply their theoretical knowledge in real-time work situation. This concept has gained importance in Indian industrial organizations and many of them are offering opportunities to students to do their internship programmes with them.

Hindustan Unilever Limited (HUL), a popular fast-moving consumer goods (FMCG) company, has been offering internship for several of its functions like marketing, finance, supply chain management, systems and HR for several years. In HUL's professional internship programme, the interns normally work as part of a small cross-functional team, on a demanding live business project and in an actual business environment.

*Adapted from:* [http://www.hul.co.in/careers/campus\\_recruits\\_ypip.asp](http://www.hul.co.in/careers/campus_recruits_ypip.asp).

**Box  
8.5****Training at Bajaj Electricals**

Many organizations consider their employees as an enduring competitive advantage in a highly competitive environment. This is because every other asset available to the organization can be replaced. For instance, products, brands, services, assets and even infrastructure can be replicated but not human resources. Thus, organizations endeavour to develop a capable and competent workforce. Through continued training activities, the competencies, skills, knowledge and capabilities of the employees can be sharpened and focused.

It is pertinent to see the case of Bajaj Electricals that has an effective HR policy. The company has a well-defined, job-specific induction programme for its new employees which is administered jointly by the HR head and the concerned department. It provides tailor-made training programmes for various functions like sales and customer relationship. In addition, it provides behavioural training programme to the existing employees on inter-personal relations, team building, personal effectiveness, and goal setting, to name a few.

*Adapted from:* [www.bajajelectricals.com/t-trd.aspx](http://www.bajajelectricals.com/t-trd.aspx).

**Job Instruction Training** The step-wise process of imparting training to the employee is called job instruction training. In fact, the execution of any job involves a step-by-step performance of the various tasks of that job. Obviously, these jobs can be taught effectively in a step-by-step manner. Under this method, all the necessary steps in the job, together with brief write-ups about each step, are compiled sequentially. Each step would have a corresponding self-explanatory note. Each note would explain what needs to be done in that step, why it has to be done and how it has to be done. In this way, the job instruction training sheet for each job can be prepared and provided to the trainees. This method will enable the trainee to learn the job practically with the minimum guidance of the trainer.

Box 8.5 outlines the essence of a job induction training programme.

### Off-the-job Training Methods

It is a method in which workers are imparted training at a place away from their usual workplace. This place could be a classroom or training centre. The purpose of off-the-job training methods is to minimize the distractions to the trainees. These methods are ideal for teaching the theoretical aspects of the jobs. Off-the-job training methods become critical when on-the-job training involves potential risk to the trainees and others. The following training methods are broadly regarded as instances of off-the-job training methods.

**Programmed Learning** This method is also known as scheduled learning or programmed instruction method. Under this method, the trainees are made to reply to the job-oriented questions, problems, concepts, cases and facts as part of learning job skills. As soon as this process is over, the trainees are provided with feedback that details the accuracy of their answers. The learning may be a conventional one, with textbooks, paper and pencil as tools of learning. It can also be a computer-enabled one, with the use of computer terminals, video discs, light pen, touch screens, mainframe, mini and micro computers.<sup>13</sup>

The basic purpose of this method is to give sufficient information to the learners and then test the trainees' authority over the subject matter. The trainees' progress towards the subsequent steps depends upon the quality of their response to the questions of the previous step. The essence of this method is that it emphasizes frequent questions, small steps, and specific, understandable, immediate and accurate feedback.<sup>14</sup>

The major benefits of this technique are: (i) It can shorten the training time. (ii) It allows the trainees to learn the subject matter at their own speed as they learn individually. (iii) The use of computers facilitates the storing and presentation of an extensive variety of learning situations to the trainees. The major argument against this method is that although this method reduces the duration of the training process, there is no conclusive evidence available to show that it enhances learning and retention rates among the trainees as compared to other methods.

**Simulation Method** This method is employed when it is impossible or risky to provide the trainees on-the-job training. Simulation is a technique that creates a situation which, as nearly as possible, replicates the real one. In fact, it refers to any equipment that attempts to provide a realistic decision-making environment for the trainees.<sup>15</sup> In this method, the trainee gets trained either on the actual or on the simulated equipment that are employed in the job but only in an off-the-job mode. The trainers review the performance, prepare the reports and make them available to the trainees. The examples of simulation training are flight simulators used to train the pilots, simulated sales counters and automobiles. Computers are used extensively in the simulation technique, especially in sophisticated business simulations.

In recent times, Internet-based instruments like learning portals and computer-based training have emerged as popular modes of training. The merits of this method are: (i) The safety of the trainees is ensured as the dangers of on-the-job training are not there. (ii) The cost of training is reduced as only simulated environment and equipment are used. (iii) Learning effectiveness improves as repeat performances are possible without any disturbance to routine business activities. (iv) It is possible to create unusual or potentially dangerous and rare situations that are critical to the process of training and help prepare the trainees.

**Laboratory Training** This method is also called sensitivity training or T-group training. This training is typically organized for a small group of trainees who are normally not familiar with one another. It is organized under the supervision of seasoned trainers, who may play the role of careful observers, in a neutral venue away from the place of work. Sessions are organized to let trainees meet personally to share their feelings, opinions, attitude, perceptions and values.

The merits of this training are manifold. (i) It facilitates a better understanding among the members by breaking the rigidity in their relationships. (ii) It can improve the behaviour of the members by knowing more about themselves and others. (iii) It increases the trainees' capability to resolve the conflicting situations by developing alternatives and problem-solving techniques instead of manipulation, intimidation and compromise.<sup>16</sup> The limitation of

this method is the absence of continuance of trained behaviour in the actual work conditions in many cases. This affects the endurance of the benefits of the training programme.

**Case Study Method** In this method, trainees are provided the necessary information in a case study format and they are expected to come up with decisions based on their understanding of the given cases. In fact, each case study presents elaborate information about a specific series of real or imaginary incidents. The case studies may deal with the activities of an organization or with the specific problems faced by it during the course of its operation or during the interactions among its members. The trainees should evaluate the cases carefully, understand the problems objectively, identify the causes appropriately, develop possible solutions optimally, and choose and implement the best solution finally. The merits of this method are: (i) It can improve the analytical, lateral and judgemental skills of the trainees. (ii) Since case studies mostly deal with real-life events, it enables the trainees to face the challenges of real-life difficulties confidently.

**Lecture Method** This method is also called the chalk-and-talk method. It is a traditional method of imparting knowledge to a large number of trainees at the same time. It is a verbal form of delivering information in a classroom environment. This method is appropriate when a large amount of information is to be provided within a limited span of time. A knowledgeable trainer can make the whole process effective by planning and preparing meticulously and delivering the lectures in a systematic and exciting manner. When the trainer is competent enough to capture the imagination of the class, he can excite the trainees who desire to learn.

The merits of this method are: (i) It is an easy, simple and quick method to share information with a large chunk of trainees. (ii) It is usually an economical method as the cost of training is distributed among several trainees, thereby reducing the cost per trainee.

However, this method also suffers from a few limitations: (i) It is predominantly a one-way mode of communication with little scope for interactions. (ii) Personalized and individual-specific flexible training is missing. (iii) It may not be ideal for highly technical and skill-oriented jobs. (iv) Problems like the trainers' fatigue, the non-availability of experienced trainers, and the dissimilarity in the performances of the trainers can impact the quality and continuity of the programmes. In spite of all these criticisms, the lecture method remains the most commonly used technique in many organizations.<sup>17</sup> Although there is no conclusive evidence to decide about the effectiveness of the lecture method, studies have shown that lectures can really be effective, even though some perceive them as boring and ineffective.<sup>18</sup>

**Role-playing** Role-playing refers to acting out a particular role. This method is simply the learning-by-doing technique. The trainee, instead of merely listening to the trainer's instructions regarding the ways and means of solving a problematic situation or discussing them, responds to that particular problem by acting out real-life situations. Typically, a trainee assumes the role of a specific personality relevant to the given situation and responds to the problems of that situation in that role. The role may be that of a superior or a subordinate or any other.

The merit of this method is that (i) it is often used to impart the skills necessary for conducting interviews, handling grievances, performance evaluation and disciplinary proceedings. (ii) It helps enhance the interpersonal relations, problem-solving ability, motivational skills and leadership techniques of the trainees. (iii) It can vastly improve the empathetic quality of the employees. Along with films and case studies, role-playing is among the more commonly used techniques for both technical and management development.<sup>19</sup>

**Video-conferencing** This is one of the distance learning methods for training. It is best suited when the trainer and the trainees are separated geographically. It allows people in one location to communicate live via audio-visual aids with people in another city, country, or with groups in several cities.<sup>20</sup> It is mostly interactive in nature and offers enough flexibility. The merits of this method are: (i) It can bring down the cost of delivering training programmes as it cuts the cost of travelling of the trainers, especially from distant locations, and also as simultaneous training of many employees can be conducted. (ii) It facilitates the standardization of training materials and methods and improves accessibility to quality training. The limitation of this method is the high initial cost of installing the necessary equipment.

### **Audio-visual Aids in Training**

Audio-visual aids such as television, audiotapes, videotapes, films, video-conferencing and presentations are effectively and extensively used in training to enhance the efficacy of the training process. These techniques make a wide variety of realistic illustrations of job conditions and situations available to the trainees within a short span of time. For instance, the Ford Company extensively uses audio-visual techniques while conducting dealer training sessions to simulate problems like customer complaints and sample reactions to such problems.<sup>21</sup>

The merits of technology-based training are: (i) It is more interesting and appealing to the trainees than the conventional training methods because of its multimedia effects. (ii) The quality and substance of the presentation will remain the same for all training groups. (iii) Such training is free from the problems of trainer fatigue or availability. (iv) The preparation of the subject matter and materials is usually a one-time affair. The limitations of this method are: (i) Audio-visuals are usually more costly than the traditional training methods. (ii) It may cause problems of one-way communication, monologue and listener boredom. (iii) It lacks the flexibility and personal relationship normally found in the training process.

### **Evaluation of a Training Programme**

Evaluation is the last stage in the process of a training programme. It is an integrated part of training. Evaluation implies the comparison of training objectives with the learning outcomes of the trainees to determine the extent of the accomplishment of goals. It is necessary for any organization to assess the learning outcome of the training programme systematically. A provision must exist in the training process to evaluate its efficacy systematically. This is because the training process involves significant cost commitment on the part of the organization and requires financial evaluation in cost-benefit terms. Besides, training, being a continuous process, requires regular interventions for improvements and changes in order to achieve better efficiency. Finally, evaluation ensures better control over the whole process since it enables the organization to decide whether to continue the training programme in the future. The main purposes of the evaluation of training are listed as: (i) deciding if a programme should be continued, (ii) deciding if a programme should be modified, and (iii) determining the value of training.<sup>22</sup>

The evaluation process is explained as “any attempt to obtain information (feedback) on the effects of a training programme and to assess the value of the training in the light of that information”.<sup>23</sup> A proper evaluation requires sufficient information to assess the trainees’ performance and progress in the course of training accurately. In the first stage, an organization should decide how it should gather the necessary information. It is also called designing of the evaluation process. Box 8.6 illustrates an example of training evaluation techniques in a company.

**Box  
8.6****Evaluating Training: The Tata Business Support Services Model**

The major concern of the HR managers today is to evolve tools to measure the human resource functions, including training. Of course, it is essential for managers to evaluate the effectiveness of training to justify the cost and utility of the training programmes. However, the basic questions that arise at the time of training evaluation are: What is to be measured? How is it to be measured? And when is it to be measured? Each company may address these questions in its own way.

As far as Tata Business Support Services is concerned, it adopts Jim Kirkpatrick's framework for the evaluation of its training programmes. It evaluates training efficiency by analysing trainee feedback, and evaluating performance scores, productivity levels, quality scores and actual knowledge and skills gained at the time of mock calls or through on-the-job training.

*Adapted from:* [www.tata-bss.com/people2.htm](http://www.tata-bss.com/people2.htm).

## Design of Evaluation Studies

As far as the designing of evaluation study is concerned, an organization has two alternative designs. These are time series design and pre-test–post-test design. Both methods are explained briefly.

### Time Series Design

In this design, the process of evaluation starts even before the beginning of the actual training programme. It involves a series of measures before and after the training programme. This process necessitates the conduct of pre-test and post-test of the skill and behaviour of the trainees to collect comparable information. Under this design, predetermined criteria of training like the skills and knowledge of the trainees are assessed before the training programme. After the training, the same criteria are assessed once again to evaluate the trainees' skills acquisition during the training. This comparison can provide an initial reading of the effectiveness of the training programme.<sup>24</sup> The limitation of this design is that the influence of other events or changes occurring during the same time as that of training, on the performance of the trainees can not be ruled out.

### Pre-test–post-test Control Group Design

This method is an extension of the previous one. In this method, the inter-period (before and after training) and the inter-group (between the experimental group and the control group not subjected to any training programme during the same period) comparisons of performance are done to assess the effectiveness of the training programme. The purpose of the inter-group comparison is to eliminate the possibility of the influence of some other events that occur at the same time as the training. This method assesses the pre- and post-training performance of not only the experimental group (that receives the training) but also the control group (that does not) for the same period, that is, exactly after the corresponding work periods. This design makes it possible to determine the extent to which any change in the performance of the experimental group resulted from the training rather than from some organization-wide change like a pay hike that would have affected employees in both groups equally.<sup>25</sup>

An organization has to choose between any one of the designs to gather information about the performance of the trainees. However, the time series design is a more practical one to evaluate effect of the training programme.

## Effects to be Measured in Evaluation

In evaluating training programmes, an acclaimed model for evaluation has been suggested by Jim Kirkpatrick. There are four levels in this model and these levels have been explained as follows.

### Participants' Impressions

At the first level, the training programme is evaluated by seeking the participants' opinion about it. The opinion may be in the form of the trainee's response to the various aspects of the training or of suggestion for improvements. This is the easiest and quickest way to evaluate the training efficacy with the least expense. However, there is a possibility of bias in the response of the trainees as they may be influenced by some other factors like the extent of freedom, the location and the timing.

### Learning Level

At this level, tests are conducted for trainees to decide what they learned from the programme. The tests should measure the extent of knowledge, skills and concepts acquired by the trainees during the programme. Organizations may use time series design or the pre-test-post-test control group design as an evaluation procedure.

### Behavioural Improvements

In the next level, training is assessed by finding out whether the training has made any impact on the trainees' on-the-job behaviour. It evaluates the extent of transfer of the newly acquired skills and knowledge to the job. The best expression of value of training occurs when the learning translates into lasting behavioural change.<sup>26</sup> For example, a manager attending a training programme may appreciate the concept of participatory decision making, but after returning to the job, he may continue with unilateral decision-making practice. Performance appraisal techniques like the 360-degree feedback method are appropriate for measuring behavioural changes after training.

### Accomplishment of Training and Development Objectives

In the final phase, training programmes are evaluated to determine the extent to which they have accomplished the specific training objectives and also to know the cost-related behavioural outcomes and their final impact on the performance. This phase also involves ascertaining the final results achieved in terms of training goals. For example, when the industrial safety of the employees becomes the objective of a training programme, the number of industrial accidents before and after training would indicate the extent of accomplishment of the training objectives.

## Issues in Training

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

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

- Many organizations, especially smaller business concerns, avoid training to upgrade the skills of the employees out of the fear that these **trained employees will be lured by the competitors** with promises of better pay jobs and scales.
- The **cost and infrastructure requirements of training make it unaffordable** for the small and medium-sized organizations to offer training programmes to their employees.
- **Accounting rules generally treat training as expenses** only and not as an investment. This also acts as a disincentive to the training efforts of the organizations.
- At the macro level, **lack of adequate financial support from the government** for undertaking the training and retraining of those workers who are ousted by downsizing, restructuring and other economic necessities also prevents the optimum utilization of training benefits.
- The **low availability of employable graduates with adequate skills** also strains the training efforts of the organizations as they have to undertake training even to teach basic skills.
- **Lack of university and industry cooperation on a sustained basis** creates a gap in the communication and exchange of mutual requirements. While the educational institutions remain indifferent to the needs of industry, the organizations do not communicate their labour and skill requirements properly to the academic institutions.

## Conditions Necessary for an Effective Training Programme

There are several critical factors which positively influence the success of the outcome of the training programmes. These factors are explained briefly in this section.

### Top-management Support

The training efforts require the support and understanding of the highest level of the management. Indeed, the top management must be committed to training and development.<sup>27</sup> It should treat training as an important segment of the corporate culture. It must commit itself to investing the necessary resources and time for the training programmes.

### Receptive Mindset of Trainees

It is necessary for the organization to nurture a positive mindset among its trainees for its training programmes. Without an open and receptive mindset, it would be difficult for the trainees to learn the new ideas, skills and knowledge quickly and efficiently. To achieve the training goals completely, the organization must develop a confident and self-motivated mindset, an analytical mindset, an open, proactive and flexible mindset, and also a mindset for continual improvement among its employees.

### Adoption of a Continuous Process

Organizations should adopt a comprehensive, continuous and systematic approach to meet the training needs of their employees. It is essential to develop training strategies that support

the accomplishment of corporate strategies and goals on a sustained basis. Organizations should evolve a system to analyse and identify organizational and occupational training needs. An ad hoc approach to the training process may not enhance training effectiveness. Thus, in every organization, training and retraining must be done at all levels on a continuous, ongoing basis.<sup>28</sup>

### **Technological Advances**

Technology has a decisive influence on the planning, execution and delivery of training programmes. The mass entry of computer and the Internet has dramatically changed the way business functions are conducted today. These developments have necessitated changes in the training process too. Obviously, the advent of e-training and e-learning has re-shaped the way knowledge is delivered to trainees today.

### **Form and Timing of Training**

An ideal time to learn is the time when the training is helpful to the employees. Increased global competition and technological advancements have forced the organizations to carry out the training programmes on a timely basis. The type of training is normally based on the assessment of training needs and the identification of training objectives. Organizations should constantly scan the external environment to look for opportunities and threats in order to decide the type and timing of training.

### **E-learning—An Overview**

E-learning is generally related to the planned use of networked information and communications technology in learning. It is known by several names such as online learning, virtual learning, network Web-based learning and distributed learning. It is also called just-in-time training as training is provided anytime, anywhere in the world when it is needed.<sup>29</sup> E-learning is commonly referred to the intentional use of networked information and communications technology in teaching and learning.<sup>30</sup> It means the using of electronic applications and processes to learn. Its applications and processes include Web-based learning, computer-based learning, virtual classrooms and digital collaboration. E-learning content is delivered via the Internet, intranet/extranet, audio or video tape, satellite TV, and CD-ROM.<sup>31</sup> A high-speed internet connection is an essential prerequisite for widespread e-learning.

E-learning is one of the successful training programme delivery systems. Since it is an Internet-based learning programme with online instruction, trainees in the e-learning mode are not constrained by the problems of space and distance. The features of animation and multimedia can make the demonstrations vibrant and attractive. Virtual reality is a distinct feature of e-learning that allows the trainees to see the objects from a perspective otherwise impossible or impracticable. Most of the e-learning is self-paced. It is the fastest growing medium of training as the workforce becomes more educated and versatile. In fact, the global market for e-learning must have reached U.S. \$21 billion by 2008, according to a survey by International Data Group Inc.<sup>32</sup> Although e-learning is not only inexpensive but also convenient, it remains only as a supplement for classroom lectures and demonstration in training programmes in India. Box 8.7 depicts the role of e-learning as a training delivery technique.

**Box  
8.7****E-learning: A Training Technique at the Aditya Birla Group**

Though the adoption of e-learning as a training tool is less in India as compared to the international trend, many organizations have begun to realize the versatility of e-learning as an important training technique to impart knowledge and skills to their employees. In fact, it enables the trainees to choose the most convenient time and place to learn the relevant skills. The effectiveness of e-learning can also be increased substantially by making use of graphics, animation and interactive videos. E-learning, as an online instruction method, is a handy tool to train the educated and

empowered employees of today. A growing number of companies in India are extensively using Web-based learning kits to help their employees get trained in a self-paced and individualized fashion.

The well-known Aditya Birla Group is a case in point. It has been employing the e-learning techniques effectively to prepare its employees for better performance and higher assignments. In addition to e-learning, it has adopted on-the-job training and structured classroom training to train its employees.

*Adapted from:* <http://www.adityabirla.com>.

## Types of E-learning

E-learning is not a stand-alone term. There are several related terms which are broadly referred to as e-learning. A brief description of these terms is given here.<sup>33</sup>

**Online Learning** Online learning refers to the learning and other supportive resources that are available through a computer.

**Web-based Training** Web-based training is a training based on the learning resources available on the intranet, extranet or Internet.

**Technology-based Training** Technology-based training refers to any form of training based on technologies like computer, television, audio tape and print, i.e., training other than that given in conventional classrooms.

**Computer-based Training** Computer-based training means presenting courses on a computer. In this case, the computer is not linked to any network or to learning resources outside the course.

Further, depending upon the requirements and goals of the training programme, an organization can choose a style of e-learning appropriate for the situation. Som Naidu has identified four styles of e-learning.<sup>34</sup> These are as follows:

- **Individualized self-paced e-learning online**, where the learner gets access to the learning resources online via an intranet or the Internet.
- **Individualized self-paced e-learning offline**, where the learner is not connected to intranet or Internet but depends on a computer-assisted learning package like CD or DVD, while working offline.
- **Group-based synchronous e-learning**, where a team of learners works online in real time, using an intranet or the Internet through video-conferencing or real-time chat.
- **Group-based asynchronous e-learning**, where a team of learners works through an intranet or the Internet but not in real time, as information exchanges happen with a time delay like in the case of e-mailing or text-based conferencing.

## Merits of E-learning

Although the organizations realize very well the need for continuous training to keep the employees well-informed and multi-skilled, they are often constrained by the non-availability of trainers, the absence of infrastructure, production schedule disturbances, the distance barriers between the trainer and the trainees, the cost of training, the inability to mobilize the adequate number of employees at the time for training, and so on. In this regard, e-learning comes in handy. It enables the employees to widen their knowledge and skills and also ensures learning on demand. The main advantages of e-learning are as follows:

**Substitute for Instructor-based Learning** E-learning, as a learner-based training, effectively replaces instructor-based learning as it can be changed according to the learner's job requirements, career goals, existing knowledge and individual preferences.

**Flexibility of Time and Place** It ensures the flexibility of time and place of study as access to information and resources are as per the suitability and convenience of the individual learners instead of those of the instructor and the organization.

**Storage of Information** With the help of information technology, it ensures storage of information in the form of print-outs, recordings in CD/DVD, and so on. This enables the learner to choose the learning environment and time.

**Application of Multimedia Tools** E-learning systems can make use of multimedia to improve learning with audio, animation, graphics, and interactive video.

**Simulated Real-Time Experience** E-learning is based mostly on the concept of learning by doing and, as such, provides a simulated real-time experience. It introduces a creative style of simulating the learning experience with content and ideas provided in the e-learning material.

**Personalized Learning Practices** E-learning ensures personalized learning practices. It becomes the responsibility of the employees to plan and implement their career goals. E-learning also leads to enhanced employee empowerment and confidence. It is a cost-effective method as the organization will save the cost on the trainer's travelling and on expensive arrangements for trainings. In fact, creating an e-learning module is three times less expensive than to create an instructor-led class.<sup>35</sup>

**Absence of Notional Cost** Organizations can also save on the "opportunity cost" of the time spent on training since the training can happen after office hours or on holidays. In other words, the notional cost of production disturbance due to workers' participation in the training programmes during working hours will be almost zero.

**Better Measurement of Effectiveness** Compared with the traditional training methods, it is easy to measure the results of Web-based e-learning effectively in terms of knowledge gain and behavioural changes and performance improvement.

**Learning on Demand** E-learning stresses sustained learning and supports "just-in-time training" and "just enough" learning, an advantage for active managers and professionals.

## Limitations of E-learning

Even though e-learning has several strengths, it has a few significant limitations. These are:

- The complexities of technology make e-learning difficult for unskilled workers.
- E-learning is used more as a supplement for conventional instructor-led training than as its substitute.
- The application of training is somewhat limited as it may not be suitable for region-specific efforts like implementing cultural changes and attitudinal changes.
- There are no adequate research findings available on the learning effectiveness of e-learning as compared to that of traditional training methods.
- The introduction of e-learning entails an initial investment and an upfront cost, which may be high.

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## Summary

1. Training may be termed as the process by which an employee acquires the necessary knowledge and skills to perform the job.
2. Training is significant as it helps the organization in the form of enlargement of skills and competency, effective utilization of existing human resources, enhancement of customer satisfaction, enhancement of competitive advantage, enrichment of team spirit, ensuring personal growth, enabling a learning culture, establishing a positive organizational climate, encouraging better health and safety measures, and enduring organizational growth and development.
3. The sources of assessing the training needs are performance evaluation, job analysis, attitude survey, advisory panel, ability test score, and feedback.
4. The steps in a training process are the determination of training needs, the determination of training objectives, the selection of training techniques, identifying the trainer, implementing training programmes, and evaluation of the training programme.
5. The methods of training are broadly classified into on-the-job training and off-the-job training. On-the-job training methods include apprenticeship training, job rotation, internship and assistantship, and job instruction training.
6. Off-the-job training methods include programmed learning, simulation method, laboratory training, case study method, lecture method, role-playing and video-conferencing.
7. The challenges in training at the micro level are: the absence of corporate commitment, the risk of poaching, the unaffordable cost of training, and the treatment of training as expenses by the accounting rules; those at the macro level are: lack of adequate support from the government, the absence of candidates with adequate skills, and lack of cooperation between the university and the industry in research programmes.
8. The conditions necessary for an effective training programme are: top-management support, a continuous process, technological advances, and the form and timing of training.
9. E-learning means the using of electronic applications and processes to learn the relevant skills. The elements of e-learning are online learning, Web-based training, technology-based training and computer-based training.
10. The merits of e-learning are: a substitute for instructor-based learning, the flexibility of time and place, storage of information, application of multimedia tools, a simulated real-time experience, personalized learning practices, the absence of notional cost, a better measurement of effectiveness, and learning on demand.

## Review Questions

### Essay-type questions

1. Evaluate critically the different steps involved in an employee training process.
2. Discuss in detail the on-the-job training methods with relevant examples.
3. Enumerate the off-the-job training methods with suitable illustrations.
4. Identify and explain the training methods suitable for
  - (a) IT companies
  - (b) pharmaceutical companies
5. Explain the meaning, designs and levels of evaluation of training in an organization.
6. What are the challenges that affect the quality and outcome of training? How will you improve the effectiveness of training programmes?
7. Explain critically the merits and limitations of e-learning as a training programme.
8. "Training programmes are effective means to prevent workforce obsolescence." Discuss.
9. If you were to be engaged as a consultant to advise an organization dealing in the production and marketing of durable goods, what steps would you adopt to prepare a training package and why?
10. Examine the importance and methods of training in a multinational corporation.
11. "Training is not an expense but a long-term investment on people." Discuss.
12. Why is training important for improving employee motivation and organizational efficiency?
13. Develop a broad framework of a training package for the sales personnel of an FMCG company.
14. Explain the various metrics for evaluating a training programme.
15. Illustrate with examples how you would go about identifying training needs.
16. Describe how you will use any five training methods.

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# Management Development

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 Understand the significance of management development
- 2 List the steps in a management development process
- 3 Explain the methods of management development
- 4 Evaluate the needs and benefits of management development
- 5 Discuss the role of management succession planning

Wipro Technologies is an India-based IT multinational company that provides IT solutions and services to several renowned global clients. It has the rare distinction of being the first level-five-PCMM (People Capability Maturity Model) and SEI CMM (Software Engineering Institute's Capability Maturity Model) level-five-certified IT services organization in the world. Wipro's HR philosophy revolves around three core doctrines, namely, "intensity to win", "act with sensitivity", and "unyielding integrity". In fact, this company has won several awards for its HR practices. For instance, it has won the prestigious *The Midday* and DAKS Awards for HR Excellence for its HR practices in technological recruitment and staffing practices. Similarly, it became the first Indian company to win the prestigious Dale Carnegie Global Leadership Award for 2007.

Wipro has several unique leadership development practices. It has a unique leadership life-cycle programme for developing the competencies of different categories of managers. It offers the

entry-level programme (ELP) for junior managers, the new leaders' programme (NLP) for employees in the HR field with managerial potential, the Wipro leaders' programme (WLP) meant primarily for middle-level managers, the business leaders' programme (BLP) meant for senior managers with overall business responsibility, and the strategic leaders' programme (SLP) for top-level managers.

As a first step in the leadership development process, Wipro undertakes a 360-degree survey for recognizing and enhancing the leadership competencies of its managers. Based on this survey, a personal development plan (PDP) is prepared for each manager. Then, these managers are brought under the appropriate development programme in the leadership life cycle.

The Wipro leadership initiative vividly illustrates the relevance of the innovative management development programmes for the success of an organization. In this context, we shall now discuss the different dimensions of management development programmes in organizations.

## Introduction

The future of an organization rests firmly on the competencies and dynamism of its managerial people. The managerial job often involves decision making that calls for knowledge of the latest developments in the related fields and excellent analytical skills. Managers cannot afford to adopt a trial-and-error approach while making their choices in decision-making. This is because their decisions may have a profound influence on the survival and growth of the organization. Thus, the sustained development of the capabilities of the managers is essential for implementing the present and future strategies of the business. In this regard, management development programmes can help organizations develop the knowledge, skills and abilities (KSA) of their managers so that they become better equipped for the existing and future managerial positions. As such, management development is a process of upgrading the competencies of the managers through relevant learning experiences.

However, management development is a long-term development process as compared to workers' training. It focuses more on developing the general capabilities of the existing and future managers than on solving their small but recurring skill deficits in performance. An organization can undertake a management development programme for various purposes like enhancing the managers' job performance, executing management succession plans, and offering opportunities for the individuals' career planning and progress. Management development programmes may take the forms of university courses and degrees and job rotations, especially for the lower managerial ranks.<sup>1</sup> They may also involve attending workshops or seminars by managers on domains like strategic management, motivation, time management, stress reduction strategies, problem-solving abilities, management theories, leadership styles and human relations.<sup>2</sup>

The end result of any management development programme is the enrichment of the competencies of the managers for successfully accomplishing the objectives of the organization and the individual. The definitions in Box 9.1 highlight these facts.

We may define management development as a long-term process by which the managers' conceptual knowledge and competencies are developed to make them more suitable for the present and future responsibilities.

### Box 9.1

#### Definitions

“Management development is all those activities and programmes which, when recognized and controlled, have substantial influence in changing the capacity of the individual to perform his assignment better and in doing so are likely to increase his potential for future management assignments.”<sup>3</sup>

—National Industrial Conference Board

“Management development is any attempt to improve managerial performance by imparting knowledge, changing attitudes, or increasing skills.”<sup>4</sup>

—Gary Dessler

“Management development simply means training reserved for those who currently are, or who are about to become, managers.”<sup>5</sup>

—Terry L. Leap et al.

“Management development is the process by which managers acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope.”<sup>6</sup>

—Edwin B. Flippo

## Significance of Management Development

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

- to make certain that every level of management is aware of the latest and best managerial practices, measurement methods and work techniques
- to ensure better leadership behaviour by improving the managers' leadership styles, communication skills, motivational skills and commitment
- to help the managers in prioritizing and optimizing the resources of the organization so as to achieve its goals effectively
- to make sure that the attitudes, values and beliefs of the managers match the core values and strategy of the organization
- to assess and develop the skills of the managers systematically so that they can, in turn, attract, develop and retain the talented employees of the organization
- to assist the managers to build on their strengths and work on their weaknesses so that they achieve their individual career aspirations successfully
- to help the managers cope with the rapidly changing and complex business environment
- to keep in place a proper management succession plan in order to ensure that the organization has a sufficient number of managerial personnel to fulfil the future business requirements
- to help the managers understand and share the corporate philosophy, mission and values of the business

## Goals of Management Development

The primary goal of management development from the organizational perspective is to accomplish the short-term and long-term goals of the organization. However, when seen from the individual's perspective, the goal is to help the managers achieve their own career aspirations. The goals of the development process may also be classified as anticipatory, reactive and motivational.<sup>7</sup> An anticipatory goal refers to undertaking development programmes in anticipation so that managers can effectively contribute to the accomplishment of long-term objectives. A reactive goal refers to those development programmes that aim at resolving the present performance difficulties or at averting the likely performance problems. Finally, a motivational goal refers to those development efforts that focus on the self-development of the individual managers.

An organization can conduct management development programmes to fulfil the following goals:<sup>8</sup>

- accomplishing the corporate goals of the organization
- ensuring internal consistency in the organizational philosophy

- helping the process of better integration of various human resources activities
- promoting transparent, dynamic and democratic management practices

## Steps in a Management Development Process

Once the organization decides to make changes in the job of an employee, it begins the preparation for the planning and execution of some management development programmes. For instance, it may choose to promote employees to higher positions, consider them for additional responsibilities, entrust challenging assignments to them or develop their existing performance. In most of these cases, a need-based and target-oriented management development programme becomes essential. As shown in Figure 9.1, a management development process involves three steps. These are (1) assessing the company's strategic needs, (2) evaluating the skills and competencies of the managers, and (3) evolving strategies for the development of managers.

### Assessing the Company's Strategic Needs

The first step in a management development process is the evaluation of the future managerial requirements of an organization on the basis of its business strategies. For instance, business strategies like new product introduction, market expansion, merger and acquisition (M&A), a strategic response to the competitors' actions and the introduction of new technology usually necessitate the development of new skills and knowledge among the managers. However, it is difficult for an organization to determine precisely the quantity and quality of the skills needed by the managers for the future. This is because the business strategies are developed mostly as immediate, incremental and intuitive responses of an organization to the developments in external environment rather than as a planned and deliberate reaction.

### Evaluating the Skills and Competencies of the Managers

In the next phase, the existing skills and abilities of the managers are assessed in line with the future strategies of the organization. At this stage, key competencies like what the manager can do at present and the behaviour and competency necessary to complete the job effectively are assessed.<sup>9</sup> The competency levels and skill gaps of managers are usually assessed with the help of performance evaluation techniques. The skill gaps found in managers normally forms the basis for framing the management development programmes. While assessing the skills and competencies, it should be ensured that the assessment process discovers the specific development requirements of the managers not only for the present situation but also for the future.

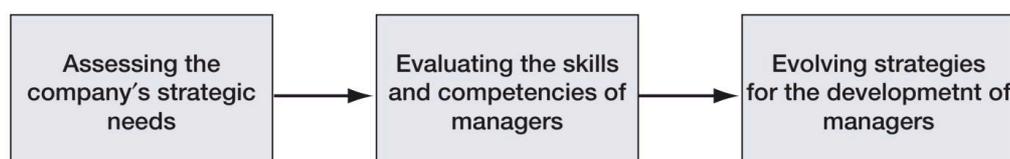


Figure 9.1

### Steps in a Management Development Process

### Evolving Strategies for the Development of Managers

In this final phase, the organization decides about how it should proceed with the process of developing the managers to meet its future management requirements. It decides about the key aspects of the development programmes like their objectives, mode of delivery, place and duration, cost and benefits, and assessment techniques. Often, the management development activities are influenced by the size and nature of the organization, the prevailing environment, the level of technology and the management philosophy.

The nature, requirements and process of management development are usually individual employee-centred. They may also be unique and different for each organization. For instance, some organizations may prefer to follow a premeditated routine development programme with result-oriented assessment systems. In contrast, some others may just ensure that their managers get ample opportunities and support to develop themselves in their profession with the least concern for the formalities and rituals.

In the same way, there may also be a difference in the learning skills of the managers and the opportunities available to them. For instance, some managers may be endowed with better managerial abilities and motivation to learn quickly as compared to others. Similarly, some managers may have effective superiors who may be good at developing others. But, others may not be as fortunate in their job and get adequate opportunities and favourable environment to learn on their job. Thus, it becomes imperative for an organization to assess the development requirements of the managers from the individual and situational perspectives.

### Methods of Management Development

The management development programmes can also be classified into “on the job” and “off the job” management development techniques. As illustrated in Figure 9.2, the development programmes for managers include, among others, job rotation, internships, programmed learning, simulation method, laboratory training, case study, lecture method, audio-visual methods, role-playing, mentoring, business games, coaching, behaviour modelling, in-basket training, action learning, university programmes, executive coaches, in-house development centre, executive orientation and executive orientation (refer to the chapter on training for discussion on

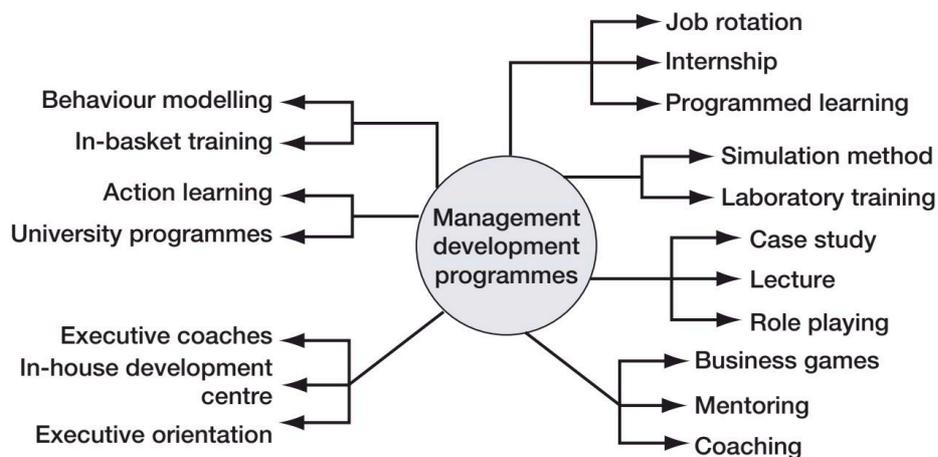


Figure 9.2

**Management Development Methods**

methods common to workers' training and managers' development. Other methods are being discussed in this chapter.) We shall now see these development methods in detail.

## Mentoring

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

Mentoring has the following merits for managers: (i) it improves and extends their career skills, (ii) gets them career advancements, (iii) obtains higher pays and other benefits, and (iv) enables them to find more interest and motivation in the job. However, it suffers from a few limitations: (i) Ego and personality clash between the manager and his mentor may affect the effectiveness of mentoring. (ii) Senior managers are usually hard pressed for time and may find it very difficult to spare time to coach trainees. (iii) The conservative attitude of the senior managers may discourage them from accepting the task of mentoring.

As a recent phenomenon, a few organizations have introduced reverse mentoring in their organizations. Reverse mentoring refers to a process where senior managers tend to learn from younger ones. When the new employees are knowledgeable and the seniors require such knowledge for prolonging their career, the latter may choose reverse mentoring. Box 9.2 outlines the leadership initiative of a software company.

### Box 9.2

#### Leadership Development: An IBM Endeavour

Each organization develops its own style and approach in attracting and retaining the best talents. Some organizations showcase their creative management development practices as one of their distinct HR practices to draw the best candidates from the labour market and also from the rival organizations. They also realize that the leaders provided with up-to-date skills and competencies through comprehensive management development programmes alone can deliver more value to the customer and also develop resilience to tackle changes in the external environment. Many Indian companies are now offering several challenging leadership assignments and international career as part of management development programmes to strengthen the quality and depth of their managerial workforce. In this regard, the IBM leadership initiative is worth mentioning.

IBM considers its 3C (capability, climate and culture) approach towards employees as the key to its success in attracting talented people. Capability refers to developing global leaders and fostering employee talents, climate stands for flexibility at work and employee wellness programmes, and culture stands for workforce diversity. As a leading international company, IBM has several specific programmes for developing the professional capability and career prospects of its managers across technological and functional domains. In tune with its management development strategy, it helps its employees develop their competencies through mentoring, study assistance plan, leadership development and individual development plan, and certifications like IBM Certified Professionals.

*Adapted from:* <http://www-07.ibm.com/in/careers/choice.html>.

### **Business Games**

People have a natural desire and involvement in games. This method makes use of business games to create an interesting environment for the trainees to learn their business lessons. The primary goal of business games is to ensure the involvement of the trainees in the learning process. In the business games technique, the trainees form teams and assume managerial roles in two or more imaginary but rival companies. These teams operate in a realistic but simulated situation and compete against one another by manipulating the controllable variables like price, product volumes, advertising cost and so on. Computer programs are extensively used to generate and manipulate different decisions and results normally replicating the real business situation. The advantage of this method is that the trainees learn to take decisions without the fear of the consequences of a wrong decision. Similarly, they are able to evaluate the impact of their decisions on others and others' response to their decisions. Besides, this method can improve the problem-solving abilities and leadership skills, and promote cooperation and teamwork.

### **Coaching**

Coaching refers to teaching and supervising someone. In the coaching method, senior managers are made responsible for coaching and developing the trainees who work directly under them. Coaching can take place in the organization formally or informally. The trainees would learn immensely out of the experience or expertise of the coach. One of the purposes of coaching is to make the trainees fit to eventually replace the senior managers in those positions. The process of development may be formal or informal. Nevertheless, coaching is a comprehensive technique to develop managers and executives.<sup>11</sup>

### **Behaviour Modelling**

Under this method, the managers learn by imitating the behaviour (called a model) of others. The behaviour model lets the trainees learn the right way of approaching and behaving in different situations. It is considered to be an ideal method for acquiring relevant skills and knowledge from others. Behaviour modelling can be used to improve the skills of managers in performance management, grievance handling, conflict resolution, overcoming the employees' resistance to changes, tackling health and safety issues. Here, the trainees are first introduced to the correct way of performing a task. Then they are encouraged to do the work in the same manner. Finally, a review is carried out and feedback is provided to them. This management development technique, today, is an extensively used, well-researched, and very much appreciated psychologically based training intervention.<sup>12</sup>

### **In-basket Training**

*In-basket* refers to a wood or metal container placed on the managers' desk to hold their incoming material. In-basket training is a development technique which educates the trainees about the need for and techniques of prioritizing the situations that await their responses. It helps the managers in prioritizing the numerous business papers, reports, emails and telephone messages before acting on them. Though not presented in any specific order, some of these messages may be urgent while others may be routine. In this training, the trainees are first asked to establish priorities for each given situation before making any decisions regarding the handling of these messages. This form of development technique is found to be very accurate in predicting performance success in management jobs.<sup>13</sup>

## Action Learning

It is a development technique that allows trainee managers to work on the problems of some other departments and not on those of their own department. On a full-time basis, a group of trainees analyse the real-world problems of a department and make recommendations. The basic idea behind this technique is to help the managers widen their spheres of knowledge and get expertise in different fields. The usual steps involved in this training are: (i) picking up a team of trainees, (ii) allotment of ambitious business problems which exceed the normal areas of the trainees' capability and knowledge, (iii) providing an intense planning time during which the team works on the business problems, (iv) assigning adequate time to discuss the problems and make recommendations, and (v) finally, the senior managers or experts reviewing those recommendations and sharing their opinions with the trainees. Several global organizations like Samsung and GE are using action learning to develop their managers.<sup>14</sup> This method helps the organizations to improve their in-house transfers and promotions of the managers.

## University-based Programmes

In this method, managers seek to develop knowledge by joining the programmes offered by the universities, colleges and centres of excellence like the IIMs and the IITs. Certainly, educational institutions play an important role in training management executives in India. For instance, the IIMs offer the managers of industry an opportunity to pursue numerous practical-oriented management development programmes. Management development programmes offered by the universities and colleges are becoming increasingly popular among the managers. Moreover, the Open University and distance learning programmes are also available to managers to upgrade their knowledge and skills in their relevant fields. These institutions use case studies, lectures and growth stories to provide up-to-date management skills and practices to the managers. As a result of globalization, many foreign universities are now setting up bases in India to launch programmes that can help the managers strengthen their managerial skills. Box 9.3 indicates the role of universities in the management development programmes of the corporate sector.

## Executive Coaches

Executive coaching is gaining acceptance as an important management development technique necessary for training managers, who will be the future organizational leaders. It is a programme of one-to-one collaboration between a certified external coach and a manager. Through executive coaching, the manager improves his leadership skills, gains new perspectives and reaches maximum potential. Executive coaching is acknowledged as an important element of standard leadership development programme for top-ranking executives. Usually, executive coaching focuses on three features, namely, strategy, organizational change, and behavioural coaching. Executive coaching develops leaders in the context of their current jobs without removing them from their day-to-day responsibilities.<sup>15</sup> The main benefit of executive coaching is that coaches can help executives develop new ways to tackle recurring problems. It is also very useful, especially in times of change, for managers in the form of promotions, additional assignments, and other new challenges. Many companies have realized the stimulating role that this method can play and are employing executive coaches to develop the performance and capacities of their middle and top management. For instance, The Centre for Executive

**Box  
9.3**
**Industry–University Cooperation in the Management Development Programme at Reliance Industries Limited**

Indian organizations have now fully realized the importance of continuously building on their managers' knowledge and managerial competencies to enhance job performance and help these managers climb up the career ladder. Many organizations are making use of the facilities offered by the universities and premier institutions to train their workforce in various domains of knowledge and skills. This industry–university collaboration in management development often works to the mutual advantage of both. Institutions offer excellent development programmes to companies for fees. Universities offer their educational services in two forms: one, enrolments for regular programmes at their campuses in specific fields such as human resources, marketing, IT, finance and logistics management, and, two, providing programmes at the company premises itself. In the latter form, institutions normally offer tailor-made programmes to meet the specific organizational requirements.

Reliance Industries strongly believes in providing the right environment that constantly nurtures the talents of its people. Its human resource philosophy is predominantly based on the belief that ordinary people can usher

in extraordinary performance if provided with proper environment and necessary support. As regards its management development programmes, it has judiciously combined the “in-house home-grown programmes” and university-based educational programmes. For instance, it employs in-house competency and soft skill development programmes for its accountants and engineers. On the other hand, it ties up with management and engineering institutions to develop the specific competencies of its employees. It has developed management development programme (MDP) level 1 and level 2 with IIM Bangalore for its high-growth managers. Similarly, it conducts MPRE (Management Programme for Reliance Engineers) in association with IIM Bangalore and a Reliance Certified Engineering Course with IIT Mumbai for its science graduates. In association with Sardar Vallabhbhai National Institute of Technology (SVNIT), Surat, it also conducts Reliance Instrumentation Engineering Programme for its Science Graduates.

*Source:* <http://www.ril.com/aboutus/humanresource.html>.

Education (CEE) at the Indian School of Business (ISB) recently hosted an executive coach training programme which was attended by participants from companies such as Raymond, Aditya Birla Management Corporation Ltd, Godrej India and HDFC Bank.<sup>16</sup>

### **In-house Development Centres**

In-house development centres are also known as corporate universities. It is an emerging management development technique. Large companies are establishing their own in-house development centres to develop the required skills and knowledge among its employees. It is a technique for exposing future managers to practical training courses so that they can enhance their managerial competencies. In-house development centres usually makes available those courses and programmes that exactly support the management development requirements of the organization. Many companies are often working jointly with academic institutions, training and development programme providers, and Web-based educational portals to construct packages of programmes and materials suitable to their employees' requirements.<sup>17</sup> Box 9.4 shows the relevance of in-house development centre in management development.

### **Executive Orientation**

This method is also called the on-board development method. In fact, orientation is an initial training effort to inform the new managers about the company, the job and the work group.

**Box  
9.4****In-house Development Centre for Competency Enhancement at Infosys**

A few organizations in India have developed their own unique in-house development centres and conduct full-fledged management development programmes for their employees belonging to different categories. The chief advantage of the internal development centres is that these centres can meet the specific requirements of the organization by offering tailor-made programmes to its employees. Further, in-house development programmes enjoy better flexibility, adaptiveness and convenience. However, organizations normally get external expertise for developing the course content, instruction material and teaching methodology for these centres. The success story of Infosys needs to be mentioned here.

To ensure the availability of adequate skills to meet the talent needs at all levels, Infosys has established a comprehensive training and development centre called the “global education centre” (GEC) at Mysore in Karnataka. The competencies required for the employees are identified and developed along multiple dimensions like technology, domain, leadership and management. Infosys has also launched a “competency certification programme” aimed at certifying its employees in various industry domains, technologies and project management processes. These certifications are now compulsory for the future promotions of employees, especially to managerial cadres.

*Adapted from:* <http://ia.rediff.com/money/2006/jun/22infy.htm>

Executive orientation is the technique adopted by an organization to assist its new managers in learning the firm’s structure, culture, and practices quickly so that they can begin to contribute to the organization as soon as possible.<sup>18</sup> The major purpose of this method is to keep a close focus on the new executives, especially during the initial phase of their employment. The primary purpose of executive orientation is to educate the new managers about the intricacies of administration, clarify their roles and responsibilities, and familiarize them with cultural norms and practices. If necessary, follow-up meetings can be conducted to check their growth, experiences and challenges.

## **Evaluation of the Development Programme**

Development programmes cost an organization in term of resources and time. Naturally, every organization would tend to know the worth of its development programmes. In this regard, it should develop a clear-cut criterion for measuring the efficiency of management development programmes. It may evaluate the development programmes in the form of its (i) contribution to the accomplishment of the organizational goals such as the efficient use of resource and verifiable improvement in quality, (ii) contribution to the increased performance of managers, and (iii) other traceable returns on development investment. Though the returns on a development programme differ from person to person, it is worth ensuring that the value of the output from development is greater than the value of the input in every case. In management development programmes, behavioural competencies are mostly considered as the learning outcome of the development process.

As regards evaluation, an organization can develop its own purpose and procedure for evaluating the performance of the trainee managers. However, there are four general purposes available for undertaking the evaluation of a management development programme. These are proving, controlling, improving, and learning.<sup>19</sup> A brief description of these purposes is provided as follows.

### **Proving**

An evaluation can be undertaken to prove conclusively that something has happened as a result of the development programme. In other words, the aim of the evaluation is to prove the worth and impact of the development exercise. It would enable the organization to know whether the development programme created the desired impact. Similarly, it would help them decide whether it is worth continuing the programme in the future.

### **Controlling**

It refers to ensuring that the development programmes are conducted according to the pre-determined specifications. Quantitative rating scores are used for measuring the comparative performance of the trainees.

### **Improving**

It refers to the continuous enhancement of the tools and techniques used in the development programmes. For instance, the course content, the infrastructure arrangements and the training process are to be evaluated with the help of the participants. Their opinions may be used for making further improvements in programme structure and design.

### **Learning**

It means measuring the actual quantity and quality of learning taking place among the participants. A formal assessment of participants may be done in the form of examination and project works to measure the efficiency of the development programmes.

There are several issues involved in evaluation, especially with regard to a development programme. For instance, measuring the long-term effect of a development programme is a difficult task for an organization. Of course, an organization usually adopts some techniques to evaluate the immediate effect of these programmes. However, studies on evaluations of training and development have found worryingly low levels of correlation between training and results.<sup>20</sup>

## **Management Succession Planning**

A change in executive leadership at some point of time is unavoidable for an organization. It is also a critical and tough exercise for an organization to find the right replacement for those in the top echelons of the management at the right time. An effective succession plan can facilitate the organization in being prepared for planned or unplanned absences of its top managers and also in guaranteeing stability in its business operations. The purpose of a management succession plan is to ensure that, to the extent possible, the firm has a sufficient number of competent managers to meet the future business needs.

Succession planning is actually a process through which an organization plans for and appoints top-level executives. It usually requires suitable managers to fill the vacancies caused by retirement, promotion, death, resignation and transfer of the existing managers. By implementing a succession management programme that is transparent and equitable, an organization forms an environment for the employees to expand their skills in anticipation of future possibilities. This also enables a workplace to position itself to adequately face any situation that might arise in the organization on account of management changes. Further, succession planning is also capable of reducing performance variations in key roles, reducing

attrition among top performers, encouraging high internal recruitment and enhancing motivation levels of managers.

The concept of succession planning has gathered momentum in Indian companies. Many top companies have chalked out systematic plans for identifying and grooming talents which would eventually take over the top positions in the company. For instance, a few years back, L&T, one of India's leading engineering companies, declared the top 10 per cent of its executives as stars and developed fast-track career paths for them. In course of time, these executives replaced the senior managers when they retired.<sup>21</sup>

### **Need for Succession Planning**

In a globalized economy, the scarcity of people qualified for important leadership positions has become one of the foremost challenges facing the management today. Companies are having an acute shortage of talent, especially at the top levels of the management. This is because the demand for able and experienced managers often exceeds their supply. There are several factors that have contributed to this situation. These have been explained in the following paragraphs.

**Growth of Organizations** A typically growing organization will require additional leaders to fulfil its ambitious organizational goals and objectives. The expansion schemes of the companies and the tight labour market conditions may combine to create an acute shortfall in executive talent. This would in turn influence the organizations to undertake succession programmes more seriously and on a priority basis.

**Early Retirements** Even though employees can remain in their jobs for a longer duration, especially in private firms, top managers are of late quitting the firms early to take up lucrative consultancy services. As a recent phenomenon, even those employees who are in their early- or mid-50s quit their job to take up career in other fields where they can make more money. These developments have further enhanced the importance of succession planning for an organization.

**Coping with Multiple Competency Requirements** The present-day organizations with a complex network and global presence are seeking to fulfil their higher levels of management with executives having multiple competencies. For instance, companies are now looking for managers who can excel at collaboration and partnering, understand and handle vast ambiguities, and deal with global business issues. They should also be familiar with matters like business start-ups, mergers and acquisitions, management of change, the ability to manage new technology, and foreign assignments.

Of course, these managers should possess these skills in addition to the conventional skills and knowledge such as leadership skills, communication, behavioural skills and motivational skills. But, it is difficult for the organizations to get a sufficient number of good managers with these qualities. Thus, the organizations depend critically on succession planning to develop managers with complex skills and abilities.

**Poaching** To deal with leadership scarcity, some organizations try to attract the managers of their rivals with attractive job offers. When the efforts of these organizations succeed, the organization losing the employee might face a tight situation, especially in the short run. To avoid such a predicament, it is necessary for organizations to develop and implement management succession plans.

### **Requisites for Successful Succession Management**

Organizations should understand clearly that succession planning cannot function in isolation and, in order to achieve success, it should be properly integrated with the corporate goals and plans. Similarly, it should get the full-fledged cooperation of all the stakeholders, namely, the trainer, the trainee manager, the management and the HR people. The following are the basic requirements in succession planning for developing the leadership that delivers business results and assures stability:

- The succession planning programme should have the complete support and patronage of the top management.
- The management should forecast with maximum possible precision the skill requirements for the immediate and distant future.
- The organization should revise the list of jobs critical to it periodically and bring them under the succession planning programme.
- The organization should systematically identify the employees with potential managerial competence for developing their skills and knowledge.
- There should be a proper alignment between the HR strategy and the succession plans. While determining HR activities like training and development, and performance evaluation, the succession plan requirements should also be considered.
- The knowledge, skills and abilities of the prospective employees must be developed on a sustained basis.
- A proper mechanism should be put in place to provide constant feedback to the potential successors about their performance and progress. There must also be a system for evaluating the efficiency of the trainers in succession planning.
- The organization should adopt a strategic and holistic approach towards succession planning and leadership development.

### **Impediments to Effective Succession Management**

Organizations often fail to identify the factors undermining the success of their succession plans, and these factors eventually affect the efficiency of these programmes. It is thus essential for the organizations to concentrate on the identification and elimination of those factors that impede the effectiveness of the succession planning. We shall now see the major impediments to succession planning process.

**Lack of Criteria for the Identification of the Successor** Many organizations care little for developing unambiguous and objective criteria for selecting the potential successor for filling the future positions. Moreover, many senior managers identify their successor through chance observation of people and their skills. An inaccurate identification can keep out the talented and deserving but less visible employees from the succession programme.

**Presence of Traditional Replacement Systems** In many organizations, the replacement planning process targets specific persons instead of identifying specific positions for succession planning. This people-oriented succession planning often ends up with the identification of a few subordinates by the senior managers for inclusion in the succession planning. Instead, the organization should first identify the critical positions to be included

in the succession planning. Then, it should develop a pool of high-potential candidates for inclusion in the planning process. Thus, a position-based replacement system is required for the success of the succession programme.

**Improper Diagnosis of Development Requirements** Often, organizations make a wrong assessment of the skills requirements of the potential successors. When the skills requirements are misjudged, it often leads to inaccurate selection of training and development techniques and performance evaluation methods. It is, therefore, essential for an organization to evolve scientific methods to identify the skills and knowledge requirements for its future positions and also the skill gaps of the trainee managers.

**Inadequate Focus on Interpersonal Skill Requirements** On many occasions, organizations emphasize more on developing the technical skills and competencies of the future leaders and simply overlook their interpersonal and team-building skills. Consequently, these succession programmes pay no attention to leadership, motivational, communication and socialization skills of the participants. An organization should, therefore, develop a comprehensive succession programme by including both hard and soft skills components in the development programmes for its prospective future leaders.

**Too Little Importance to Lateral Mobility** Quite often, organizations consider the vertical mobility of the immediate subordinates to higher positions as the only option available in succession management. They simply ignore the prospects of lateral mobility, which considers other employees also for higher positions as an alternative in the succession planning. Any narrow approach towards succession management would reduce the scope of succession planning in the organization. Thus, the management should include lateral mobility also as a part of succession management strategy.

**Lack of Sufficient and Timely Sharing of Feedback** The absence of the availability of the feedback about the current performance and future assignments may drive the potential successor out of the organization. When the prospective employees remain ignorant about what their management plans for their future, they may tend to quit the organization in search of better prospects elsewhere. Thus, it becomes important for the organization to ensure that the information about the career plans concerning the employees is shared with them without any delay.

**Lack of Follow-up Action** In many organizations, succession plans often remain in the plan stage and in paper form. These organizations lack the sustained enthusiasm and motivation required to follow up the plans with necessary actions. In some organizations, the management simply fails to take succession management to its logical end, which is posting the identified and trained successors to the vacant positions. This occurs when the management changes its preference for the identified position and dumps the person groomed for that position through the succession planning process.

**Absence of Managerial Initiative and Support** The critical prerequisite for the success of any succession management programme is the active support and constant encouragement from the top management. Many organizations never provide the importance that it deserves in the strategic planning. This is because the management is concerned more with its immediate future and short-term goals. It is important for the management to realize the benefits of succession management and it should strive to support this concept on a sustained basis.

**Insecurity of the Boss** Managers often feel threatened when succession issues are discussed with them. They view the move as the beginning of the end of their career with the organization. In such a situation, an insecure boss may display disinterest and even apathy in sharing his skills and knowledge with his potential successor. Obviously, the top management should enlighten the managers about the purpose and intentions of succession planning and dispel the apprehensions they may have about the whole programme.

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## Summary

1. Management development is a long-term process by which the managers' conceptual knowledge and competencies are developed to make them more suitable for the present and future responsibilities.
2. The goals of management development are: (i) accomplishing the corporate goals of the organization, (ii) ensuring internal consistency in the organizational philosophy, (iii) helping the process of better integration of various human resources activities, and (iv) promoting transparent, dynamic and democratic management practices.
3. The steps in a management development process are: (1) assessing the company's strategic needs, (2) evaluating the skills and competencies of managers, and (3) evolving strategies for the development of managers.
4. The methods of management development are job rotation, internships, programmed learning, simulation method, laboratory training, case study, lecture method, audio-visual methods, role-playing, business games, coaching, behaviour modelling, in-basket training, action learning, university-based programmes, executive coaches, in-house development centres and executive orientation.
5. The reasons for the growing importance of succession planning are: growth of the organizations, early retirements, coping with multiple competency requirements, and poaching.
6. The hurdles to succession management are lack of criteria for successor identification, presence of a traditional replacement system, presence of traditional replacement system, improper diagnosis of development requirements, inadequate focus on interpersonal skill requirements, too little importance given to lateral mobility, lack of sufficient and timely sharing of feedback, lack of follow-up action, absence of managerial initiative and support, and insecurity of the boss.

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## Review Questions

### Essay-type questions

1. Discuss the strategic role of management development programmes in the growth of an organization in detail.
2. Evaluate critically the steps in a management development process.
3. Illustrate on-the-job training and development methods with relevant examples.
4. Describe any five modern development programmes adopted by Indian industrial organizations.
5. Examine the purposes and process of evaluation of a management development programme.
6. "Succession planning greatly enhances the stability of business operations." In the light of this statement, discuss the need for a succession management process.
7. "Management development is nothing but guided self-development." Discuss.
8. Compare and contrast any four management development programmes widely practised in industrial organizations in India.

9. Identify the nature and kind of management development programmes implemented by Indian organizations.
10. "Management development programmes are the privilege of a few large and elite organizations." Present arguments for and against this.

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# Performance Evaluation and Job Evaluation

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 Understand the meaning and objectives of performance evaluation
- 2 Present an overview of performance management
- 3 Understand the process of performance evaluation
- 4 List the issues and challenges that are faced by performance evaluation
- 5 Enumerate the steps that make performance evaluation programmes effective
- 6 Understand the meaning and benefits of job evaluation
- 7 Discuss the various methods and stages used for job evaluation
- 8 Understand the process of job evaluation
- 9 List the steps needed to make a job evaluation programme effective

The Aditya Birla Group is a large business conglomerate, with 100,000 employees encompassing 25 different nationalities. It has vast and diverse business interests and operates in more than 20 countries across 17 businesses. The group has several innovative HR initiatives that aim at treating the employees as group resources. Acknowledging employees through the Aditya Birla awards for outstanding achievement has been one of its major employee engagement programmes. In 2007, the group was adjudged the best employer in India and among the top 20 in Asia by a Hewitt Associates study for its HR policies and schemes in India.

The group views a transparent performance management and job evaluation process as a vital

employee retention tool. The main features of its performance management process include pre-determined goals and key result areas (KRAs) to enable the employees to know what is expected of them, a mid-year review, an annual performance appraisal process, which includes self-assessment, supervisor assessment and a skip-level review, an assessment of the individual on values compliance and demonstration, and, finally, a documentation of career aspirations along with the developmental requirements to achieve those aspirations. The Aditya Birla Group proves that companies can make rapid strides with an efficient performance management and job evaluation process and we shall discuss these in this chapter.

## Performance Evaluation: An Introduction

Performance evaluation is one of the crucial steps in the process of human resource management. Through performance evaluation, an organization seeks to know what is done by an employee. Performance evaluation is concerned with the evaluation of the individual and group performance of the employees of an organization. Each organization can have its own way of appraising the performance of its employees. The mode of appraisal may be formal or informal. In any case, an organization requires effective appraisals to ensure that the employees' efforts are goal-directed. In the absence of a reliable and objective performance evaluation of employees, an organization might suffer in the form of high labour cost, underperformance of its workforce, low productivity and underutilization of available resources.<sup>1</sup>

Performance evaluation is a careful and predetermined way of assessing an employee's performance during a given period of time. It involves the process of measuring an employee's present actual performance with the estimated standard performance. The idea behind performance evaluation is to continuously enhance the employees' performance and also to plan for their future. It helps an organization to identify and eliminate deficiencies in the performance of its employees. It, indeed, reveals the keenness of an organization in the growth of its employees. However, the eventual beneficiaries of performance evaluation are both the individual employees and the organization. This is because the objective of any evaluation process is to enhance the employees' performance and through that the performance of the organization.

## Performance Evaluation: An Overview

Although performance evaluation is basically a procedure used for ascertaining, examining and recording information about the relative worth of the members of an organization, it has been defined differently by various authors. Box 10.1 lists some of the definitions relating to performance evaluation.

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

### Box 10.1

#### Definitions

"Performance evaluation is a formal system of review and evaluation of individual or team task performance."<sup>2</sup>

—R. Wayne Mondy

"Performance appraisal is a systematic, periodic and impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job."<sup>3</sup>

—Edwin B. Flippo

"Performance evaluation means evaluating an employee's current and/or past performance relative to his or her performance standards."<sup>4</sup>

—Gary Dessler

"Performance evaluation is a systematic evaluation of the individual with regard to his or her performance on the job and his potential for development."<sup>5</sup>

—Dale S. Beach

## Performance Management: An Overview

While performance evaluation is limited in its scope and confined to reviewing the performance of employees, performance management is a much wider process. It is, in fact, a total and integrated process comprising activities like goal-setting, training, evaluation, and rewarding of employees. It is a goal-based process aimed at guaranteeing that organizational processes produce the expected performance on the part of both the employees and the organization. It begins with the task of setting performance standards for employees followed by training and development. It finally ends with performance appraisal and thereby fixing rewards for employees in a fair and objective manner. Performance appraisal is a one-time event each year whereas performance management is a dynamic, ongoing, and continuous process.<sup>6</sup>

The foremost task of performance management is fixing goals in alignment with the strategic needs of an organization. Performance management constantly focuses on the effort of each employee towards the achievement of organizational goals. It may involve daily or weekly interactions to ensure continuous improvement in the employee's capacity and performance.<sup>7</sup> When the employee's existing skills and knowledge are found to be insufficient and require improvement during the performance management process, training and development exercises are usually undertaken to achieve the required effectiveness. Besides, compensation may also be linked directly to attaining organizational goals. For instance, employees who are able to effectively contribute to the achievement of the organizational goals could be well rewarded.<sup>8</sup>

The crux of performance management is ensuring frequent interactions with employees in order to enhance their level of and capacity for performance on a sustained basis. This core feature is included in many of the definitions of performance management. Box 10.2 lists some of the definitions.

## Objectives of Performance Evaluation

Every organization practices some form of performance evaluation to achieve the pre-specified objectives. However, these objectives usually differ from organization to organization. Sometimes, they may vary even within the same organization from time to time depending upon the prevailing requirements. The common objectives of performance evaluation are:

### Box 10.2

#### Definitions

"Performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors."<sup>9</sup>

—Michael Armstrong

"Performance management can be defined as a process that consolidates goal setting, performance appraisal, and development into a single, common system, the aim

of which is to ensure that the employee's performance is supporting the company's strategic aims."<sup>10</sup>

—Gary Dessler

"Performance management means goal-oriented processes directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and, ultimately, the organization."<sup>11</sup>

—R. Wayne Mondy

### **Identify the Performance Gap**

Performance evaluation helps in determining the gap between the actual performance of the employee and the performance expected or desired by the organization.

### **Provide the Basis for Promotion, Transfer and Termination**

Performance evaluation facilitates the process of identifying in an objective manner the employees who deserve promotions, transfers or even terminations.

### **Aid in Designing Training and Development Programmes**

The results of performance evaluation can be used to identify the specific skills required to be developed for each employee and thus can help in developing the training and development programmes.

### **Assist in Wage and Salary Administration**

Performance evaluation helps in determining compensation packages like wage fixation, rewards allocation, and incentives for the employees on a scientific basis.

### **Help in Increasing Employee Effectiveness**

It facilitates the organization in improving the effectiveness of its employees by helping them identify their strengths and eliminating their weaknesses.

### **Improve Interpersonal Relations**

It helps in building a cordial industrial relationship by encouraging good contact between the management and the labour. It acts a mechanism for communication between the superiors and the employees.

### **Identify Employees' Grievances**

It helps in identifying and recognizing the grievances of the employees at the earliest and thereby removing factors responsible for such grievances.

## **Uses of Performance Evaluation**

An organization may have several reasons to appraise its employees. For instance, HR managers require performance evaluation to provide feedback, support the performance enhancement drive, make valid decisions, justify terminations, recognize training and development needs, and defend any personnel decisions.<sup>12</sup> In fact, the given uses of performance evaluation influence the decisions regarding the design and execution of performance evaluation technique. For instance, a particular performance evaluation technique suitable for determining training needs of employees may not be ideal for deciding the pay scales of employees.

However, a comprehensive evaluation system can overcome this problem to a great extent. A properly designed evaluation tool can find a use in every stage of the human resource management process. Obviously, the information obtained through performance

evaluation can help the HR managers in several ways. It can be used to convert strategic goals of the organization into the employees' goals, to devise or revise its HR plans, to revisit the employees' career plans, and to enhance individual and organizational performance. The following are some of the HR operations where the results of performance evaluation are widely utilized:

### Human Resource (HR) Planning

HR planning involves forecasting and determining the manpower requirements of an organization to meet its strategic goals. With the help of a performance evaluation, the organization can assess its available manpower effectively and plan its future HR programmes based on the anticipated labour requirements. Through performance appraisal, it can also plan and prepare a profile of its HR strengths and weaknesses to support its strategic missions and goals. Box 10.3 outlines the goals of the performance evaluation system at ACC.

### Recruitment and Selection

The purpose of any selection tool is to predict the likely performance of candidates when offered jobs. The scores from the various selection devices administered to candidates at the time of selection are usually correlated at a later stage with their actual job performance to determine the efficacy and validity of the selection tools. In fact, performance evaluation offers a way for validating both internal (promotions and transfers) and external (employing new people from outside sources) selection programmes.<sup>13</sup> Performance evaluation ratings are good at predicting the performance of candidates. However, when not enough attention is given to the appropriate evaluation of the employees' performance, the time and money spent on the designing and development of selection tools are simply wasted.

### Employee Training and Development

Performance evaluation can easily identify a worker's specific needs for training. This is because shortages in performance are usually the direct outcome of the absence of adequate knowledge or skills on the part of the workforce. In fact, performance evaluation results can be used to decide whether an employee or group of employees will require additional training and development.<sup>14</sup> Inadequacies in the performance of the employees can be identified

#### Box 10.3

#### Performance Evaluation System: An HR Effort Aimed at Recognizing Good Work

Almost all organizations have some means of evaluating their workforce performance. The means of evaluation may be a formal or informal. Though the basic objective of any evaluation is to improve individual and organizational performance, it serves different purposes for different organizations. For instance, some organizations may link pay and promotional decisions to evaluation results while others may use it just to know the deficiency in their employees' performance. The interesting aspect of performance evaluation is that its results are

potentially valuable for practically every human resource functional area.

The performance evaluation system at ACC is worth mentioning here. It is used as the basis for determining performance-linked incentives, good work awards, letters of appreciation, special increments, promotions, and nominations to external training programmes in India and abroad, public felicitation and appreciation.

*Adapted from:* <http://www.acclimited.com>.

through evaluation and training programmes formulated accordingly so that employees can build on their strengths even while removing their deficiencies.

### Compensation Decisions

Performance evaluation provides reliable information for determining the pay scale of the employees. In fact, compensation decisions, to varying degrees, are based on the results of an employee's performance appraisal.<sup>15</sup> Performance evaluation helps the organization to reward behaviour that contributes directly to the accomplishment of the organizational objectives. Thus, it is essential to design and execute a dependable performance evaluation system to reward the most efficient workers and groups appropriately. A recent study showed that two-thirds of the companies use performance reviews to determine pay increases, and almost half use them to calculate bonuses.<sup>16</sup>

### Career Planning and Development

Performance evaluation is useful in determining the career plans of employees. Any organization would like to promote only the best qualified employees to the higher levels. In this context, performance evaluation data is vital in evaluating an employee's strengths and weaknesses and also in deciding the employee's potential. An organization may decide about transfers, lay-offs, and so on, based on the results of the performance evaluation. Finally, the HR professional can help employees in developing and implementing their career plans on the basis of performance evaluation. Box 10.4 shows the online evaluation practice at the Indian Oil Corporation.

### Grievance and Discipline Issues

Performance evaluation information is also used frequently for decisions relating to promotion, demotion, termination, layoff and transfer.<sup>17</sup> Performance evaluation results can be used to initiate the necessary action against incompetent employees faring poorly in the performance evaluation, provided the process of evaluation is flawless and standard. Performance evaluation data can also be used as an important source of documentation for formal grievances that are filed in connection with employee disciplinary actions.<sup>18</sup>

#### Box 10.4

#### Performance Evaluation: A Basis for Career Growth

Performance evaluation is an ideal option for an organization to determine the ability of an individual employee to accomplish his tasks. An effective evaluation system must focus on the individual employee and his development, in addition to facilitating him to achieve the desired performance. A good performance evaluation system should focus not only on the organizational objectives, but also on the individual and the mutual ones.

For instance, Indian Oil Corporation, a national oil company, has an online performance measurement system in place. The performance and potential of the employees decides their promotion and career plan and progress. In fact, the career growth opportunities in this company are based on the individuals' performance and their contribution to the common goal of sustained growth assessed through appraisals.

*Adapted from:* <http://iocl.com/PeopleCareers.aspx>.

## **Feedback**

Employees are usually interested in knowing the results of the performance evaluation. This is because they may be curious to know how well they are performing at present and how much improvement is required to attain the desired performance. This feedback enables them to have a clear idea about their standing in the organization as related to performance rewards like promotion, or merit pay. An objective and timely feedback can benefit the employees in terms of motivation and satisfaction; it can benefit the management in terms of increased cooperation, productivity and support from the employees.

## **Determining the Criteria for Performance Evaluation**

The determination of the criteria for performance evaluation often involves the tricky question of what aspects of employees' performance are to be evaluated. The note of caution here is that the criteria selected should be purely job-related and well within the control of the workers. Also, they should be clearly defined and have no ambiguity. As far as possible, performance evaluation that is based on a single criterion is to be avoided. The job analysis report can help in identifying the criteria for each job. Normally, performance evaluation criteria involve individual traits, behavioural characteristics, goal accomplishment, scope for improvement, and competencies. We shall now discuss these criteria briefly.

### **Individual Traits**

The employees' attributes like attitude, outlook and initiative can be the basis for the performance appraisal. However, it is to be ensured that the subjective elements in these traits are controlled carefully and defined properly, otherwise, they can cause inaccuracy in evaluation. For instance, subjective elements like leadership qualities, appearance, personal conduct, attitude towards life, ethical practice, imagination, mental alertness, and reliability can cause bias and prejudice in evaluation.

### **Behavioural Characteristics**

Behaviour is the aggregate of the responses, reactions or movements made by a person in any situation. Although the individual's response on a particular occasion is difficult to determine, organizations may evaluate the standard task-related behaviour or competencies. For instance, leadership styles, teamwork, commitment, and customer care are some of the desired behaviours normally included as criteria to evaluate the employees. Organizations tend to recognize and reward those behaviours that can contribute to the overall growth of the organization.

### **Goal Accomplishment**

The successful accomplishment of goals can become a criterion for evaluating the performance of employees. The outcome of those goals that contribute to the success of the organization can be an ideal appraisal criterion. They may be financial goals like profit, cash flow or marketing goals like the desired sales, achieving the target market share or standing in the market, maintaining the time schedule, and total quality management. However, it is imperative that the management involve the employees in the process of fixing goals for evaluation.

## Scope for Improvement

Performance evaluation criteria may focus on assessing the future potential of employees. A proper evaluation of the potential of employees can help in deciding their career plan and prospects systematically. It is to be noted here that the performance evaluation report would become mere historical documents with little use if the focus of the evaluation does not shift from the past to the future performance of the employees.

## Competencies

Competency is the quality of being well-qualified physically and intellectually. Performance evaluation can attempt to assess those job-related skills, knowledge, qualities, ethical values, flexibility and sense of judgment that contribute to job success. Susan Meisinger identified five key areas that require the application of specific competency and skills and contribute significantly to the success of an organization in general and HR management in particular. These are:<sup>19</sup>

- **Strategic contribution:** Connecting the organizations to their markets and quickly aligning employee behaviour with the organizational needs
- **Business knowledge:** Knowing how businesses are run and translating this into action
- **Personal credibility:** Demonstrating measurable value; being part of an executive team
- **HR delivery:** Providing efficient and effective service to customers in the areas of staffing, performance management, development, and evaluation
- **HR technology:** Using technology and Web-based means to deliver value to customers

It is to be understood clearly that there is no available set of job-related criteria that can be universally applied for performance evaluation. The criteria usually differ, depending on the nature of job, purpose, and situation. Similarly, the criteria discussed here are not mutually exclusive. In fact, each appraisal tool can have a unique permutation and combination of these criteria. Finally, it should be ensured that irrelevant criteria, which can undermine the seriousness of the evaluation, are not included in performance evaluation.

## The Process of Performance Evaluation

The entire ethos of performance evaluation should start at the top and be built into the strategy of the firm. It should be embodied in the values of the company. The performance evaluation process should strengthen the working relationship between the managers and their employees. It should also contribute to the long-term success of the organization. The entire process should be a rewarding and satisfying experience not only for the organization but also for the individual employees. An ideal performance evaluation process should provide the basis for managing the business of today and for developing it in the future.<sup>20</sup> Figure 10.1 illustrates the steps involved in a performance evaluation process. We shall now discuss these steps in detail.

## Setting the Performance Evaluation Goals

The first step in the process of performance evaluation is setting specific goals. These goals are usually set jointly by both the superiors and the employees. The goal-setting process

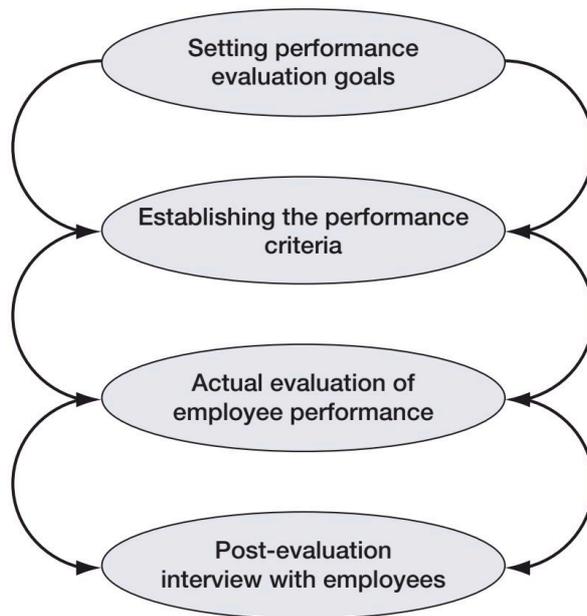


Figure 10.1

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**The Performance Evaluation Process**

ensures that every employee knows what is expected of him and how the achievement of the goal contributes to the overall success. Organizations should select only those goals that are most important and realistically achievable. Stephen Williams specified the following three types of objectives for a performance evaluation programme:<sup>21</sup>

- (i) **Key result areas:** The objectives which contribute to the achievement of the business goals of the unit.
- (ii) **Performance standards:** The objectives which contribute to the improvement in the performance of the individual job.
- (iii) **Performance development:** The objectives which contribute to the development in the performance of the individual.

Undoubtedly, the effectiveness of performance appraisal depends on the efficiency of the objectives being framed.

### Establishing the Performance Criteria

The second step in the process is deciding the criteria for evaluation. These criteria are the basis for comparison. It is actually a reference point in terms of which other things can be evaluated. An organization has to decide what characteristics of the employees are to be evaluated. The criteria should be job-related, specific, and within the control of the employees. They may include, among others, the traits, behaviours, cost-related outcomes, competencies, goal achievement, and scope for further improvement. There should be joint discussions between the superiors and the employees regarding criteria formulation. Once the performance criteria are established, these should be communicated to all those concerned.

## Actual Evaluation of Performance

At this stage, the employee's performance is evaluated actually on the basis of predetermined criteria. The evaluator and the employee review the latter's job performance jointly and appraise it against established performance standards. This appraisal assists in determining to what extent employees have met these standards, ascertaining the reasons for any deficiencies and preparing a plan to correct the problems.

## Post-evaluation Interview with Employees

As a final step in the formal evaluation process, the superior can have a meeting with the appraised employees to discuss the results of the evaluation, once the appraisal is over. At this stage, the evaluator can ascertain from the employees the reasons for their high or low level of achievement against pre-determined objectives. Further, the evaluator can help the employees consolidate their strengths and improve their relative weaknesses. At this meeting, goals can also be set for the next evaluation period and the process goes on. Box 10.5 depicts the elements of performance evaluation process at J. K. Lakshmi Cement.

## Selection of the Evaluator for Conducting the Performance Evaluation

In any evaluation process, the most important issue is deciding who should evaluate the employees. The person who is the evaluator is called the rator while the person who is being evaluated is called the ratee. One desirable factor for a person to be a rator is that he should have enough opportunity to take note of the employee's (ratee's) work performance over a period of time. Performance appraisal should be conducted by those who are most knowledgeable about an employee's work performance and are able to closely monitor his job behaviour.<sup>22</sup> In any case, it is the responsibility of the rator to ensure that there is no bias in the evaluation process. Let us now examine the different kinds of evaluators who usually undertake the performance evaluation process in an organization.

### Immediate Supervisors

It is usually the immediate supervisor who is the most conversant with the activities of the employee being evaluated. Similarly, the immediate supervisor is in a better position to

**Box  
10.5**

#### Performance Evaluation Process: Role of KRAs

To achieve the pre-determined objectives, an organization may develop a variety of performance appraisal methods. However, the ultimate choice of a specific method would depend on the organizational philosophy, its strategic objectives, size, product and technology. Whichever method be adopted, the eventual aim of the management is to ensure that the performance and achievement of the employees do not go unnoticed.

The performance appraisal system of J. K. Lakshmi Cement is an example of performance evaluation.

Individual performance targets are set in the form of the key result areas (KRAs) at the start of the year through consultations with the reporting managers. At the end of the year, each employee's performance is evaluated against the predetermined KRAs. Finally, each employee is provided with an opportunity to discuss his/her achievements during the given period and also told to focus on improvement areas.

*Adapted from:* <http://www.jklakshmi.com>.

effectively correlate his employee's performance with that of his own unit and also with the overall performance of the organization. Further, the role of the performance evaluator can also strengthen the authority and control of the supervisor over the employees. Obviously, the employee's immediate supervisor becomes the most preferred choice for his employee's performance.

However, the negative aspect of involving the immediate supervisor is that he may tend to emphasize more on a few aspects while ignoring other job-related factors. For instance, if the supervisor is basically a technocrat, he may have a tendency to provide undue importance to the technical competence of the employees while neglecting their other skills. There is also a possibility that the supervisor may approach the whole process of evaluation with a preconceived notion about an employee's performance, thereby vitiating the whole exercise. This problem can be overcome by involving the employees closely in the process of determining the evaluation criteria and also by constantly reviewing the evaluation process after getting a feedback from them about the fairness of the exercise.

### **Peer Groups**

A peer is a person who is of an equal standing with another in a group. Of late, the evaluation of an employee by his peers is emerging as the more popular form of evaluation. The foremost strength of employing peers to evaluate an employee's performance is that they work intimately with the ratee and probably have an undistorted view on typical performance, particularly in team assignments.<sup>23</sup> The major advantage of this method is that it is best suited for group projects. Co-workers can evaluate certain aspects of an employee's performance more sincerely than supervisors. For instance, factors like trustworthiness, communication skills, initiative, socialization skills, and inter-personal effectiveness can be evaluated more effectively by the co-workers. The difficulty in peer evaluation is that co-workers may not be willing to criticize one another especially when they work as a team. Besides, the possibility of unfair evaluation by a co-worker due to peer rivalry cannot be ruled out.

### **Employees**

Many organizations are serious about the evaluation of the superiors by the employees. There is a growing realization among the organizations that employee ratings are especially valuable when used for developmental rather than evaluative purposes.<sup>24</sup> Typically, employees are better placed to observe their superiors' managerial efficiency. This process can also make the supervisors more sensitive about the work group's expectations and more mindful of the need for consensus in decision-making. This practice is more popular in educational institutions where teachers are evaluated by their students. The major problem in this method is the fear of victimization by the superior and that is why employees often prefer to evaluate their superiors in an anonymous manner.

### **Committees**

Organizations are now employing rating committees to evaluate the employees. These committees are normally balanced with the inclusion of a few supervisors, including the immediate supervisor. These multiple evaluators' committees can overcome the problems of bias, prejudice, and preconceived notions. The composite ratings are also more dependable, just and valid. Further, evaluation can also be comprehensive with different evaluators assessing different aspects of an employee's performance.

## Self-evaluation

There has been controversy surrounding the usefulness of self-evaluation as the employees may tend to rate themselves higher than what they are evaluated by their superiors and co-workers. This method is normally used more for gathering useful and vital data about the employees than for evaluating them. Employees can provide details about their achievements and contributions over the review period. From the evaluation perspective, its value is significantly less, as a survey on the self-evaluation of one's performance showed that nearly 40 per cent of the employees performing different types of jobs placed themselves in the best category (in the top 10 per cent) and almost all the remaining employees placed themselves in the well-above-average category (in the top 25 per cent) or in the above-average category (in the top 50 per cent).<sup>25</sup> There is also a general feeling that self-evaluation data is just self-serving and, by itself, cannot present a valid picture of employee performance.<sup>26</sup>

However, the self-evaluation process can act as an instrument to motivate the employees as they can see it as an occasion to bring to the notice of the management their contribution toward the accomplishment of organization goals and gain recognition and appreciation. As a balance for other methods, self-appraisal helps superiors who are primarily concerned in ensuring employee participation and development.

## Customers

Many organizations have realized of late that it is in the interest of the organization to let the customers evaluate the performance of its employees. This is because the customers' satisfaction and behaviour play an important role in the success and endurance of the organization. Besides, this can also exhibit the inclusive culture, the commitment towards customers, quality-consciousness, the employee's accountability for action, and the dynamism of the organization. This process can be used to enhance the quality and efficiency of the employees in public relations and continuously improve the satisfaction levels of the customers. However, it is essential to make sure that the evaluation criteria be well within the control of the employees and they be adequately involved in the goal-setting process. This process may help the organization in achieving specific objectives like timely and proper after-sales service, maintaining the delivery schedule, and gradually reducing the number of unsatisfied customers.

## Performance Evaluation Methods

The decision regarding the selection of a particular type of evaluation usually involves answering questions like what aspects are to be evaluated and how they should be evaluated. Nevertheless, the purpose of evaluation is the major guiding factor for such decisions. For instance, traditional methods like rating scales, paired comparisons and other similar methods are appropriate when the purpose of evaluation is identifying suitable employees for promotions and compensation, whereas collaborative methods like evaluation by employees, peers, customers and self-evaluation are more suitable for developing the employees. Thus, managers have to carefully choose from the number of evaluation options available to them (Figure 10.2 lists the methods). We shall now see the important performance evaluation methods available to an organization.

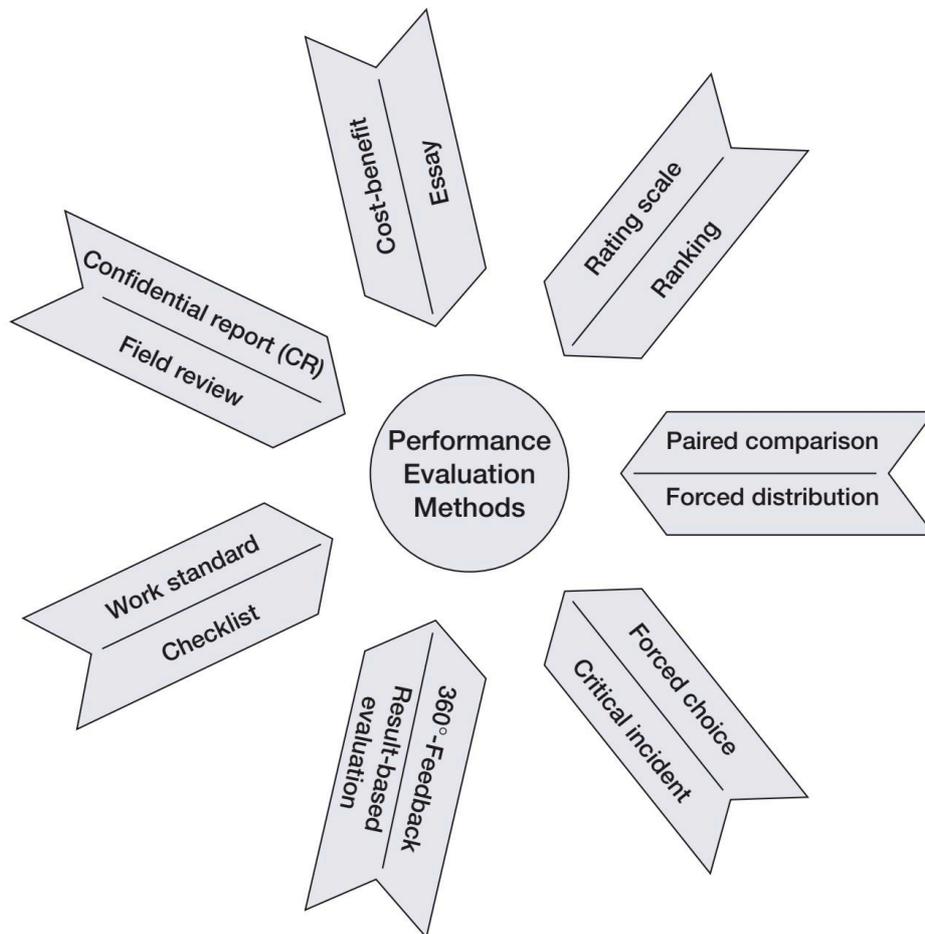


Figure 10.2

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**Performance Evaluation Methods**

### The Rating Scales Method

In this method of performance evaluation, employees are rated according to pre-specified factors. This method is simple and clear-cut and it allows prompt evaluation of several employees at a time. In this method, evaluators record their assessments of the performance of the employees on a scale. A scale actually lists a group of traits and a range of performance expected for each trait. These traits are usually job-related factors like the quality and quantity of job and personal factors such as reliability, interpersonal skills, and adaptability. The scale may have various scores representing outstanding, average, improvement required, etc. The supervisor evaluates an employee by circling in the evaluation form a scale of each factor that best describes his or her performance. Finally, the assigned values are summed up for each trait.

Organizations are now allotting a space in the appraisal form for the evaluator to comment (say, a written justification) on the particular rating given for each factor. The aim of this exercise is to focus on rectifying the deficiencies and discourage a subjective and hasty

evaluation. Though this method is ideal for evaluating an employee, the limitation of this method is the possibility of the existence of the evaluator's bias and prejudice.

### **The Ranking Method**

This is one of the oldest and easiest methods of evaluating the employees. Each employee is ranked by the evaluator on the basis of their relative worth to the organization, as compared to other employees. Each evaluated employee secures a place in a ranking order ranging from topmost to the worst for selected characteristics. In brief, the best employee in the list is ranked the highest, and the poorest one is at the bottom for the same traits.

Though this method enjoys the benefit of ease of administration and explanation,<sup>27</sup> it suffers from several defects. For instance, it provides scope for the evaluator's bias and prejudice. This could be due to halo and recency effects. (Both of these have been discussed later in the chapter.) Besides, it is not very suitable for evaluation involving a large number of persons. Nor can this method be ideal when the employees have dissimilar behavioural qualities.

### **The Paired Comparison Method**

This method is only a variant of the ranking method but its ranking system is generally superior. In this method, two employees of a group are considered as a unit or pair. On the basis of predetermined criteria such as total performance, one employee is compared with another. This process of comparing a pair of employees continues till all the employees have been compared. Finally, the employee with the greatest number of favourable responses in inter-person comparison gets the highest ranking. This method can be illustrated better with a numerical example.

Suppose six employees in a group are to be evaluated under the paired comparison method. The maximum number of pairs can be calculated with the help of the formula

$$\text{Maximum number of pairs} = [n(n - 1)]/2.$$

In the given example, the maximum number of pairs will be

$$[6(6 - 1)]/2 = 15$$

This maximum number of pairs indicates the maximum possible alternative comparisons. A worker who emerges better than others in as many comparisons yields the best score. However, the major defect of this method is that it may not be appropriate when a large number of employees are to be compared in a short span of time.

### **The Forced Distribution Method**

In this method, the evaluator is forced to assign the employees to various performance categories like excellent, good, average, and poor, each with a predetermined percentage. For instance, the evaluator must have to distribute 10 per cent of the employees to the excellent performer category, another 10 per cent to the poor performer category, and the remaining to in-between performer categories. Forced distribution is emerging as a popular method as more organizations are beginning to use it due to an increased focus on pay for performance.<sup>28</sup>

The merit of this method is that it forces the weak managers to act against the poor performers, who would otherwise escape corrective action. However, this method is unpopular in many organizations as it usually keeps the employees in constant fear of their future. For instance, in a survey of HR professionals, 44 per cent of the respondents felt that the forced ranking system prevalent in their organization damaged the morale of the employees

and generated a mistrust of leadership.<sup>29</sup> This method can also cause potential damage to employee loyalty and cooperation as the employees may suspect it to be an exercise to get rid of them.

### **The Forced Choice Method**

In this method, the evaluator has to evaluate the employees with the help of a series of statements (or list of traits). The series may contain both favourable and unfavourable statements. Each statement would carry weights or scores, which may not be known to the evaluator. Now, the evaluator has to choose the most appropriate statement, which best represents the individual being evaluated. This method objectively evaluates an employee as an evaluator will not know the scores of each statement. Further, there is an in-built mechanism available in this method that compels the evaluator to ascertain both negative and positive traits of the employees. The limitation of this method is that the preparation of forced-choice instruments is usually a time-consuming process.

### **The Critical Incident Method**

In this method, the supervisor is required to keep a written record of positive and negative work-related actions of the employees. For instance, when a critical incident relating to the behaviour of the employee affects the unit's or the department's functioning, positively or negatively, the superior should record it. During the evaluation, these records can supplement other data effectively in evaluating the employee's performance. The major advantage of this method is that it provides live and real examples of good and bad performance of an employee. It helps the employees in identifying the fundamental areas in which they are strong or weak. It also points out specifically what is to be done by an employee in order to eliminate deficiency in his performance. Further, this method ensures that evaluation is a continuous process and not a one-time affair in a year. Finally, it facilitates better counselling of the employees by their superiors. However, the limitation of this method is that the superiors may find it difficult to record the incidents involving their employees on a regular basis.<sup>30</sup>

### **The Essay Method**

In this method, the evaluator writes a short description of an employee's performance. The evaluator has to provide a narrative of the employee's strengths, weaknesses and potentials. This method focuses less on the employees' regular day-to-day performance and more on their extreme behaviours at work. However, the efficiency of this method depends greatly on the evaluator's writing skills and objectivity. The merit of this method is its simplicity as it does not require any complex preparation or training. It has, therefore, found wide acceptance as a good performance evaluation technique. However, the defect of this method is that it provides scope for manipulation by the evaluator if he has excellent writing skills. For instance, the evaluator can project a mediocre worker as an excellent performer through his sheer writing skills.

### **The Cost-benefit Method**

The essence of this method is that it focuses on the financial returns the organization obtains through an employee. In this method, the management evaluates the cost of retaining an employee in the organization and also the benefits accruing to it through that employee. Finally, a cost-benefit comparison is made as part of performance evaluation to determine

the real contribution of that employee to the organization. The following factors provide essential guidelines for evaluating the performance:<sup>31</sup>

1. Value of goods or services produced by the employee
2. Quality of such goods or services produced
3. Indirect cost associated with goods or services produced
4. Abnormal loss arising out of accidents, spoilage, wastages, and damage to machines
5. Appearance, manners, and sociability skills of the employee
6. The cost of supervision needed for the present employee performance

### **The Work Standard Method**

In this method, the evaluator compares the performance of the employees against the standards established in the form of expected output. The standard output is usually established on the basis of the normal performance of an average employee. F. W. Taylor's work study, including time study and work sampling, can be used to determine the work standard. The main advantage of this method is that there is very little scope for the evaluator's bias as the standards are fixed scientifically and objectively. Although this method can be applied to almost all types of jobs, manufacturing jobs usually get greater attention.

### **The Checklist Method**

In this method, a checklist containing a series of statements on the traits of the employees is prepared and presented to the evaluator, usually the immediate supervisor. The checklist has both positive and negative statements. Each statement is to be answered in the "Yes" or "No" format. It carries a score based on its importance to the overall evaluation. Once the evaluator completes the evaluation by ticking the appropriate columns that best represent the employee, the checklist is sent to the HR department for further processing like assigning predetermined scores, and totalling such scores.

The main advantage of this method is that it is a simple, objective, time-saving and cost-effective evaluation tool. Similarly, it does not require any specialized training on the part of the evaluator. The limitations of this method are many. For instance, there is a scope for the evaluator's bias in this method. Similarly, ambiguous statements in the checklist can cause confusion and are liable to misinterpretation. Besides, the focus of the evaluation is mostly on personality factors rather than on performance factors. Further, it is normally difficult in the checklist method to assemble, analyse and weigh a number of statements about the employees' traits and contributions.<sup>32</sup>

### **The Field Review Method**

In this method, the evaluation of an employee is done by someone other than his own superiors. The purpose of this is to avoid any possibility of the evaluator's bias and prejudice. Normally, evaluation is done by the HR people, who scrutinize the records of those employees who are being evaluated and conduct interviews with them and their superiors. This method facilitates inter-person comparison of the managerial personnel in different places. It is also appropriate for choosing employees for future assignments. The major defect of this method is that it does not allow continuous evaluation of employees and that there is only an all-at-once approach to the process of evaluation. Besides, the superiors may view this as interference in their work.

### The Confidential Report (CR)

Confidential report is a kind of evaluation practised predominantly in government and public sector organizations. It is called this because the evaluation records are kept strictly confidential and are accessible only to the pertinent officials. The evaluation report is prepared by the immediate superiors, usually on the basis of the continuous observation of employees over a period of time, say, in a year. The confidential report follows a predetermined format for gathering data relating to employee's skills, ability, knowledge, initiative, leadership skills, attitude, integrity, scope for improvement, aptitude for learning, area of concern, and weaknesses. The report helps in determining the promotion, transfers and financial incentives of employees. The merit of this method is that it permits the continuous evaluation of employees by their superiors and also facilitates better control over them. The disadvantage is that there is a risk of the evaluator's bias and prejudice.

### The Result-based Evaluation System

This is a variation of the Management by Objectives or the MBO model (explained in the later part of this chapter). Under the result-based system, the superior and the employees work together on setting goals for the subsequent evaluation periods. On the basis of consensus, the employees agree to achieve the goals set for them. For instance, they may agree to bring down the cost of production by, say, 5 per cent through productivity enhancement and reduction in wastages.

Now, let us look at the some other methods that are a combination of the methods we just discussed.

### The Behaviourally Anchored Rating Scales (BARS) Method

The Behaviourally Anchored Rating Scales (BARS) method is a combination of the positive features of several other methods like critical incident, essay method and rating scales. In this method, the different performance levels of employees are shown by the side of the scale, with each level described in terms of specific behavioural example, either good or bad performance. This method specifies the various dimensions to be rated in behavioural terms and makes use of critical incidents to explain the various levels of performance. It helps the evaluators with a uniform frame of reference for evaluating the employees. A model BARS for judging the specific competency of an employee is presented in Table 10.1.

The following steps have been suggested to develop BARS:<sup>33</sup>

1. **Developing critical incidents:** Identifying the persons having the knowledge of the job (job holders and/or supervisors) in order to know from them the specific illustrations (critical incidents) of effective and ineffective performance.
2. **Formulating performance dimensions:** Asking these persons (job holders and/or supervisors) to cluster the critical incidents into a smaller set (of 5 to 10) of performance dimensions, and then defining each dimension, such as "skill in human relations".
3. **Reassigning the incidents:** Another group of people who also know the job shall then reallocate the original incidents. They get the cluster definitions and the critical incidents and must reassign each incident to the cluster whom they think it fits best. When some percentage (say, 50 per cent to 80 per cent) of the second group assigns the same cluster to a critical incident as did the first group, that critical incident is to be retained.

**Table 10.1 A Pro Forma BARS for Judging a Specific Ability—the Salesman's Competency to Create a Positive Image of the Product Marketed by the Organization**

Outstanding Performance	Creates a brilliant impression on the prospective buyer of the product. Marvellously handles the prospective buyer questions and creates a very positive image of the product.
Excellent Performance	Builds a fine impression of the product. Doubts are clarified absolutely and a positive image of the product is created.
Good performance	Creates a reasonably fair impression of the product. The prospective buyer's doubts are clarified satisfactorily and a good impression of the product is created.
Average Performance	Sincere effort is made to make a good impression of the product. The prospective buyer's doubts are clarified mostly but at times information needs to be sought from other sources to clarify the customer's doubts.
Poor Performance	Sometimes creates a poor impression of the product. Occasionally provides inaccurate or even false information while clarifying the prospective buyer's queries.
Deplorable Performance	Creates a negative impression of the product. The prospective buyer's queries are messed up. A very poor image of the product is created.

4. **Rating the incidents:** This second group should then rate the behaviour described by the incident as to how effectively or ineffectively it represents the performance on the dimension ( 7- to 9-point scales are typical).
5. **Evolving a final instrument:** Finally, six or seven of the incidents are chosen as the behavioural anchors of the dimension.

The merits of this method are:

- The BARS method enjoys better trustworthiness and accuracy since it is devised only by those who have complete knowledge of the job.
- It offers superior and impartial evaluation of the employees as compared to other methods.
- It can have better acceptance as the employees are usually involved in its development.
- The inclusion of critical incidents for the evaluation of performance makes it easier to clarify the doubts of the employees about the rating procedure.
- The evaluations based on this method seem to be relatively consistent and reliable, as different raters' evaluations of the same person tend to be similar.<sup>34</sup> Further, among all the evaluation techniques, the BARS method is perhaps the most highly defensible in court because it is based on actual observable job behaviours.<sup>35</sup>

The defects of this method are that each job will require separate BARS, which make the whole process a costly affair. It is also a time-consuming process as different groups of persons are to be involved in developing the performance dimensions.

The other popular method is the 360-degree feedback method. Let us look at this in detail.

### **The 360-degree Feedback Method**

The 360-degree feedback method is gaining popularity as a comprehensive technique to evaluate the performance of employees. The uniqueness of this method is that all those who interact

with an employee in any capacity will prepare an evaluation report on him, and this may include senior managers, supervisors, employees, peers, team members, internal or external customers and even the employees themselves.<sup>36</sup> The 360-degree feedback is also differently described as a multi-source assessment, multi-perspective rating, multi-rator feedback or full-circle feedback as this method collects evaluation inputs from multiple levels both within and outside the organization. In fact, P. Ward defines the 360-degree feedback as “the systematic collection and feedback of performance data on an individual or group derived from a number of the stakeholders on their performance.”<sup>37</sup> The main purpose of the 360-degree feedback method is to ensure a rather objective and comprehensive evaluation of a person’s performance.

Critical information about performance in a 360-degree feedback process is normally gathered about the employees from their superiors to whom they report, their peers or co-workers (who work as their team members or equal cadres in other departments), their external and/or internal customers, and also from self-evaluation reports of the appraised employees. Figure 10.3 shows the various evaluators of an employee’s performance.

**Uses of the 360-degree Feedback Method** Organizations generally use the 360-degree feedback to make evaluations available for traditional uses. However, of late, this feedback has been utilized even for non-conventional purposes like professional development, succession planning, and performance management. Let us now discuss these uses.

- The organization can use the 360-degree feedback report as a critical input for determining the remuneration and other incentives of the employees.
- It can act as an effective tool to determine the nature and type of training and development programmes required for the employees.

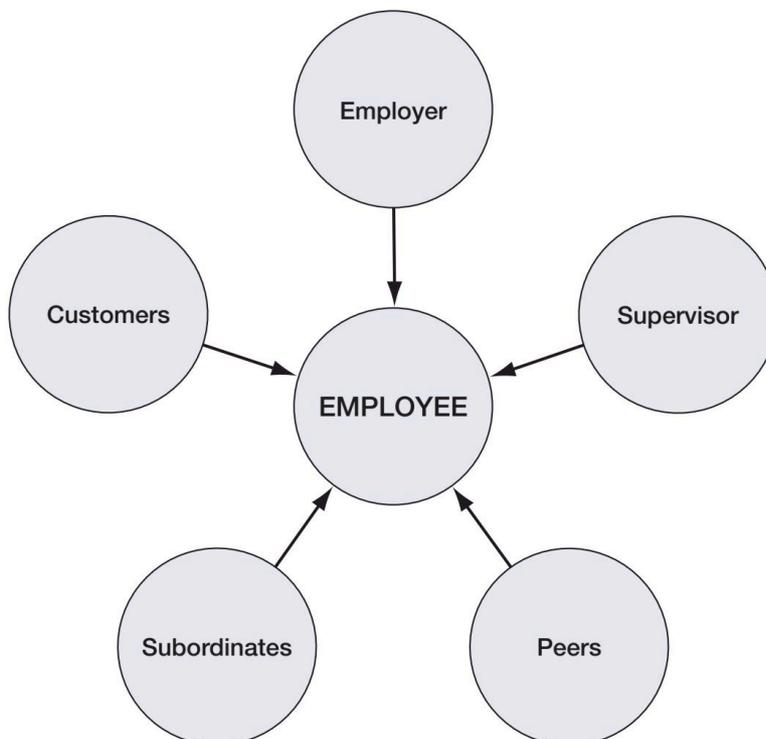


Figure 10.3

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**Evaluators of the 360-degree Feedback Method**

- The feedback can be used as a major source for any succession planning schemes evolved by the company.
- It can help employees become aware of both their areas of strengths and weaknesses in their performance sphere.
- The organization's core values can be strengthened by linking the individuals' performance with such core values and then providing feedback to them on how they should attune themselves to such core values.
- The feedback can be used by the organization as an input to performance management system.
- It can promote teamwork and employee empowerment as employees also get an opportunity to evaluate their skills and the behaviours of their superiors.

Box 10.6 outlines a new performance evaluation practice at Maruti Suzuki.

**Steps in the Development of the 360-degree Feedback Method** An organization should adopt the following steps in the process of developing an instrument for the 360-degree feedback.

**Determining the objectives**—The first step in the process is determining the exact objective of the whole programme. The objectives may be one or more of the following: (i) identification of training and development needs of the employees, (ii) determination of the pay package, (iii) performance management, and (iv) succession planning.

**Deciding the receiver and giver of feedback**—Once the objective of the programme has been finalized, the organization should decide about the employees whose performances

### Box 10.6

#### The 360-degree Appraisal System in India

The unique feature of the 360-degree appraisal system is the all-around evaluation of an employee by a group of evaluators. Since the list of evaluators includes supervisors, employees, peers, and internal or external customers, many HR managers view this system as a decisive step towards the democratization of the performance appraisal process. It is also seen by them as an effort to make the evaluation process as fair and equitable as possible by moving away from the traditional top-down approach to the employee performance appraisal.

However, for a long time, many Indian companies were not quite enthusiastic about the 360-degree appraisal system as an evaluation system due to wide and varied factors like troubling the conventional hierarchical structures, fear of eroded authority by the supervisors, and fear of victimization by employees. In recent times, there has been a change in the attitude and perceptions of organizations towards the 360-degree appraisal system, and an increasing number of organizations are

showing a keen interest in adopting the 360-degree appraisal system as part of their employee performance evaluation system.

Maruti Suzuki and Ernst & Young have developed a 360-degree feedback system for assessing the senior leaders of the former company jointly. To start with, Maruti has covered the top managerial personnel like chief general managers and general managers under this evaluation system. That means that their performance will be assessed on the basis of the feedback from their peers and junior management employees within the same department. As part of the system, the peers and employees are asked to respond online to the questionnaire prepared by Ernst & Young, which had compiled the list of leadership competencies required for managerial people.

*Adapted from:* <http://www.thehindubusinessline.com/2007/02/05/stories/2007020502890100.htm>.

are to be evaluated under this system. Similarly, a decision will also have to be made about who will be the evaluators. It may be a 360-degree feedback with the ratee's superior, peers, self-evaluation reports, and internal and external customers being involved. A decision is also required about the anonymity of the feedback reports as the source may or may not be anonymous.

**Establishing the performance criteria**— At this stage, a decision should be taken about the area of work or behaviour on which feedback will be gathered. In this regard, the organization can use the available models like competency models or evolve a new model that fits the values, culture and nature of the work performed in the organization. However, the compatibility of the model with the software should be ensured as software packages are now essential for processing.

**Determining the mode of collecting the data**— The organization has to develop a questionnaire based on its purpose and requirements. The company can design the questionnaire itself or outsource it from external sources. The outsourced questionnaire can then be modified later to make it fit for the internal conditions.

**Finalizing the method of data analysis and presentation**— Since most of the organizations adopting this method usually depend on software packages for analysing the collected information, the organization has to decide whether to develop its own software or buy a ready-made package from the software companies. Large business concerns prefer to have their own software developed in-house while the smaller ones purchase it from outside.

**Trying a pilot scheme**— A pilot scheme refers to clarifying the whole programme with examples or dry runs. It is better to pilot the whole programme, preferably at higher levels, so as to understand the efficacy of the feedback process. The pilot scheme can also be used to explain the objectives of the feedback process to all the evaluators, besides indicating the role of each participant. Finally, on the basis of the response of the participants in the pilot scheme, the required modification can be made to the feedback process.

**Execution of the feedback process**— Once the necessary corrections have been made in the feedback process, it should be initiated after briefing the participants and allaying their fears about the whole exercise. The entire process should be supervised closely by the HR department till its completion.

**Evaluation and communication**— Once the process is over, the data collected through feedback should be analysed carefully and reported to all those concerned. This is a crucial process and may face resistance from the evaluator, especially when the results are unfavourable. Since it is a continuous process, the experience can be effectively utilized for improving the whole process further. Box 10.7 shows a 360-degree feedback form template.

**Factors Enhancing the Effectiveness of the 360-degree Feedback Process** An organization can improve the efficacy and success of the 360-degree feedback vastly if it ensures the presence of the following factors:

- Securing the involvement and support of the higher levels of management in the feedback process.
- Guaranteeing that all participants are aware of the evaluation criteria, the methods of gathering and summarizing the feedback, and the purpose for which the feedback is collected.

**Box  
10.7****A 360-degree Feedback Form Template**

**Feedback Form Headings and Instructions: ratee's name, date, feedback responder's name, position (if relevant) plus local instructions and guidelines for completion.**

Key skill/capability area	Skill/capability element	Question number	Feedback question	Feedback score
		1		
		2		
		3		
		4		
		5		

**Optional section: For additional feedback and comments about the ratee**

- Ensuring the genuine commitment of the participants in the process since the 360-degree feedback can be corrupted as it is possible that people say good things about one another, resulting in only good ratings.
- Assuring that the feedback questionnaires are easy to understand and simple to fill up with necessary instructions. It should be confirmed that the feedback fits the work and behaviour of the employees.
- Confirming that comprehensive communication and training programmes are provided to all the participants.
- Maintaining the confidentiality of the feedback process to ensure that the participants feel comfortable that the information they give and receive is completely anonymous.

**Benefits of the 360-degree Feedback** The 360-degree feedback has the following benefits:

- As an all-around rating process, it is a modern and creative alternative to the traditional top-down evaluation process.
- Organizations and individuals can have a broader view of the performance of the employees as multiple sources are involved in the feedback process.
- As more than one person is responsible for the evaluation, many of the common evaluation errors and rators' biases can be reduced or eliminated, resulting in a more objective measurement of an employee's performance.
- Since computer software packages are used extensively in the feedback process, a lot of time is saved as the evaluators can do the ratings rapidly and conveniently through online evaluation instruments.
- The perception of feedback as a sincere, well-expressed, honest and objective exercise enhances the acceptance of the results of the process.
- It enables the managerial personnel to have a reliable feedback of their performance and be aware of their own developmental requirements.
- This process is legally better defensible as multiple evaluators are involved in the process.

**Defects of the 360-degree Feedback** The 360-degree feedback suffers from the following limitations:

- It is a costly and time-consuming process as it involves numerous evaluators and multiple sources.
- The lack of honesty and impartiality in the evaluators can distort the feedback data, thereby making it vulnerable to criticism and failure.
- Too much reliance on technology and bureaucracy can hamper the feedback process as the whole process becomes a mechanical exercise due to the intransigency of participants and the rigidity of the system.
- When the participants are not sure of the confidentiality of their feedback report, they may tend to hide the realities while sharing or receiving feedback information.

Another method that is gaining popularity is the 720-degree appraisal. Box 10.8 showcases this method.

### Management by Objectives (MBO)

Management by Objectives (MBO) is a popular method that counts on joint goal-setting to formulate and achieve objectives for the organization, the department and the individual. The uniqueness of the MBO method is that it enables the employees to get involved in the evaluation process by setting their own goals. Basically, MBO involves setting specific measurable goals by the managers in consultation with the employees and, subsequently, examining the latter's progress towards those goals. Tosi and Carroll justify MBO as a form of performance appraisal, saying it involves the establishment of performance objectives and an assessment of how well those objectives are fulfilled.<sup>38</sup> In a broader sense, an MBO programme involves the following phases:

1. **Projecting the goals:** Employees are asked by their supervisors to propose their own preliminary goals for a given period of time, in harmony with the organizational and department goals.

#### Box 10.8

#### 720-degree Appraisal: An Emerging Evaluation Technique

The 720-degree evaluation is emerging as a possible alternative appraisal technique. Organizations are slowly but steadily realizing the need for this new system, which is better than the existing 360-degree evaluation, especially in terms of the focus of the evaluation and the involvement of the evaluators in the process. For instance, the 360-degree appraisal facilitates the formal assessment of an employee by the evaluators like the customer or the employee, possibly with the help of appraisal forms. But the 720-degree evaluation goes one step further and insists on a better focused, personalized and in-depth review of the employees occupying managerial positions. The evaluation of the employee is usually done

through detailed personal interviews with the performance evaluators.

The 720-degree evaluation concentrates more on what matters the most for an organization. For instance, it could be the clients' views and perceptions of the performance of the employees. The merit of this method is that it makes both the evaluator and the employee happy and comfortable. While the clients would appreciate a company which is more responsible and serious in knowing their opinions, the appraised employee would feel happy to be evaluated and appreciated by the clients they serve.

2. **Discussing the goals:** The supervisor and the employees elaborate on the goals and, if necessary, modify them before reaching an agreement regarding the specific goals.
3. **Developing yardsticks:** The supervisor in consultation with the employees develops yardsticks for measuring performances to determine how far the objectives have been met.
4. **Executing performance reviews:** The employee's actual as well as agreed performance is reviewed periodically to assess the progress and problems in accomplishing the goals.
5. **Providing feedback:** After assessing the employee's progress, the supervisor discusses the ways and means for improving performance, if needed, with the employees.

Though MBO is a complete system of planning and control and a complete philosophy of management,<sup>39</sup> it suffers from a few limitations. These are: (i) It is a time-consuming process since it involves continuous goal-setting, frequent reviews and constant feedback. (ii) This method is better suited for only managerial jobs since goal-setting is usually not feasible at the non-managerial levels for employees.<sup>40</sup>

## Issues in Performance Evaluation

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

### Absence of Objectivity

Objectivity refers to judgment based on observable phenomena and uninfluenced by emotions or personal prejudices. The main weakness of the traditional evaluation methods like rating scales is the absence of objectivity. For instance, factors like creativity, quality, attitude, personality traits, and appearances are abstract in nature and are hard to evaluate objectively. It is also difficult to justify their inclusion as job-related factors. The inclusion of these factors, though necessary, can undermine the fairness of the evaluation.

### Halo Effects

Halo effects occur when the supervisor's admiration for any one of the employee's positive traits (like appearance, behaviour and competency) is carried over to his evaluation of all other aspects of that employee's performance. The halo effect can then lead to an unduly higher rating. In fact, Andrew Solomonson describes halo effects as the influence of a rator's general impression on the rating of specific ratee qualities.<sup>41</sup>

On the other hand, a supervisor may carry over his negative impression of one trait to all aspects of the evaluated employee's performance. This reverse occurrence is known as the horn effect.

### **Central Tendency**

Central tendency refers to rating all employees as average. This problem occurs when the evaluator tends to place the majority of employees in the average or middle of the scale without any justification. The evaluator resorts to this middle path especially when he is required to provide a written justification for extremely high or low ratings. Understandably, this defect usually undermines the usefulness of the evaluation for deciding the promotion, reward and development of the employee.

### **Lenient Attitude**

This problem occurs when the evaluator awards unjustifiably high ratings to employees. When the evaluator desires to stay clear of any controversy over the evaluation, he may adopt this behaviour. For instance, sometimes, the process may require the evaluator to share the evaluation results with the employees. Again, the purpose of evaluation can also cause extreme attitudes like leniency or strictness. For example, while appraising employees for administrative reasons such as pay hikes, a superior may be inclined to be more lenient than when evaluating performance to achieve employee development.<sup>42</sup> In rare cases, the supervisor can also be excessively critical of an employee's work performance. This too can affect the fairness of the whole exercise.

### **Bias**

When the evaluator is too concerned about the personal characteristics of the employees without focusing on the real performance, there is a real possibility of a bias in the evaluation. In fact, this problem surfaces when the supervisors allow individual differences such as gender, race or age to affect the ratings they give. Certainly, any biased behaviour will have an adverse influence on the outcome of the evaluation, thereby affecting the objectivity and fairness of the evaluation. Studies have confirmed that biases account for the biggest percentage of the observed variance in performance evaluations.<sup>43</sup>

### **Recency Effects**

Recency refers to a time immediately before the present. Recency effects occur in an evaluation when the evaluation process is distorted by the events happening just before the evaluation. This kind of recent events may have an unbalanced impact on the evaluators at the time of evaluation. This can be compared to a black dot on an otherwise plain paper. When the employees know the timing of the performance review, they may tend to present their best behaviour and improved productivity just ahead of the scheduled evaluation. For instance, a salesman may come up with an important order just before the evaluation to boost up his otherwise average annual performance and influence the evaluator.

### **Employee Resistance**

Any exercise that will impact their future development causes a typical uncertainty among the employees. The evaluation process may also cause apprehension in the minds of the employees as the results may decide the promotion, financial rewards, future responsibilities, and increased compensation for them. Employees normally view the evaluation as an opportunity for the supervisor to highlight their negative aspects. Obviously, this kind of fear can cause disquiet among the employees, leading to an outright resistance against the whole concept.

## Steps to Overcome the Problems in the Evaluation Process

A defective evaluation can produce more harm to an organization than the absence of an evaluation process. An unfair evaluation of employees can cause strain in superior–employee relations, absenteeism, and high labour turnover. It may also breed inefficiency in the organization. However, most of the problems mentioned are not inherent to the evaluation process; rather, they reflect improper implementation. Let us now see what can make the evaluation process more effective and credible.

- Proper training of the evaluators can help them observe the employee's behaviour accurately. It can also solve problems like those of a lenient attitude, central tendency, and halo effects, especially those relating to rating scale errors.
- While evaluating the employees, the evaluator must cover the entire evaluation period and not just the events that have occurred immediately before the evaluation. A continuous evaluation process by the supervisor can help overcome the problem of recency effects. Diary-keeping by the supervisors to compile and record both positive and negative critical incidents can help in avoiding the recency effects.
- A careful study of the purpose of the evaluation and the merits of each appraisal tool before determining the right tool for evaluation is also essential.
- Anticipating the possible problems in evaluation and developing their remedies can also ensure the smooth execution of the process.
- An adequate opportunity should be provided to the evaluators to learn the job of evaluation by offering them sample jobs for trial evaluation.

## The Post-performance Evaluation Interview: An Overview

An essential part of the evaluation process is the post-performance evaluation interview conducted with the evaluated employees, usually at the end of the process. The evaluation process normally creates high expectation among the employees. For instance, the employees are very interested in knowing where they stand in the organization and what will they get out of the process. This information is made known to them only at the time of the evaluation interview. Though the post-performance evaluation interview is crucial to the final outcome of the evaluation process, many organizations are under-prepared for it and remain unaware of its usefulness. Simple tips for evaluators like preparing seriously for the interview, carefully piecing together the relevant facts and figures, getting the employees ready for the interview by giving them adequate notice, and carefully choosing the data can definitely enhance the quality and fruitfulness of the interview process. A few steps like the following can contribute to the effectiveness of the interview process:

1. Training the supervisor, who will conduct the evaluation interview with the employees, about the procedure to be adopted while conducting the interview.
2. Planning and organizing the interview meticulously to ensure that sufficient time is available for discussing different topics with the employees at different times. For

instance, factors like rewards, promotions and transfers can be discussed in one phase while issues relating to training and development can be dealt with separately.

3. Determining the order of discussion for each phase of interview in order to cover all the criteria followed in the evaluation process. There should also be a pre-planned beginning, middle and end to an interview process.
4. It is very essential to encourage the employees to speak in the interview to make it a two-way communication process. Ideas, suggestions and explanations can be obtained from them for individual as well as organizational developments.
5. The evaluator should avoid getting too personal while sharing the information. Inter-person comparisons should also be avoided to the greatest extent. A right combination of appreciation and admonition can yield positive results.
6. Lastly, the interview should be conducted in a polite, conducive and supportive manner.

## Job Evaluation

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

Generally, job evaluations are conducted in two ways. These are analytical and non-analytical job evaluations.<sup>44</sup> In case of analytical job evaluation, the extent of the presence of certain defined factors in a job decides its value in the organization. As regards non-analytical job evaluation, the total job is measured and matched with other jobs to determine its overall rating within the organization.

The essence of many definitions of job evaluation is the determination of the comparative value of each job in the organization. We shall now see a few definitions of job evaluation in Box 10.9.

### Box 10.9

#### Definitions

“Job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities and provide the basis for designing an equitable grade and pay structure, grading jobs in the structure and managing relativities.”<sup>45</sup>

—Michael Armstrong et al.

Job evaluation is an attempt to determine and compare the demands which the normal performance of a particular job makes on normal workers, without taking into account the individual abilities or performance of the workers concerned.”<sup>46</sup>

—ILO report

We may define job evaluation as a systematic technique used for deciding the relative worth of the job based on its comparison with other jobs.

## Characteristics of Job Evaluation

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

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

## Objectives of Job Evaluation

The following are the objectives of the job evaluation exercise in an organization:

- to rank the jobs in the order of importance based on the job duties, responsibilities and other relevant factors
- to develop job grades and pay grades for facilitating simple and efficient wage and salary administration
- to institutionalize the system of pay scale fixation in order to ensure consistency and uniformity
- to determine the pay scales of the employees in a systematic and scientific manner based on the relative worth of the jobs
- to avoid or eliminate the employees' grievances against the bias and prejudices in the determination of the pay scales of the employees
- to enhance the ability of the organization in attracting and retaining the best talents

## The Job Evaluation Process

It is essential for an organization to develop a systematic and objective evaluation process to gain the confidence of the employees in the process. This is necessary because the results of job evaluation would form the basis for the sensitive exercise of pay determination. An organization can have its own process of conducting job evaluation. However, the following process can find acceptance in any form of organization with necessary organization-specific modifications. As illustrated in Figure 10.4, the steps in a job evaluation process are (i) identification of jobs to be evaluated, (ii) gathering relevant information about the jobs,

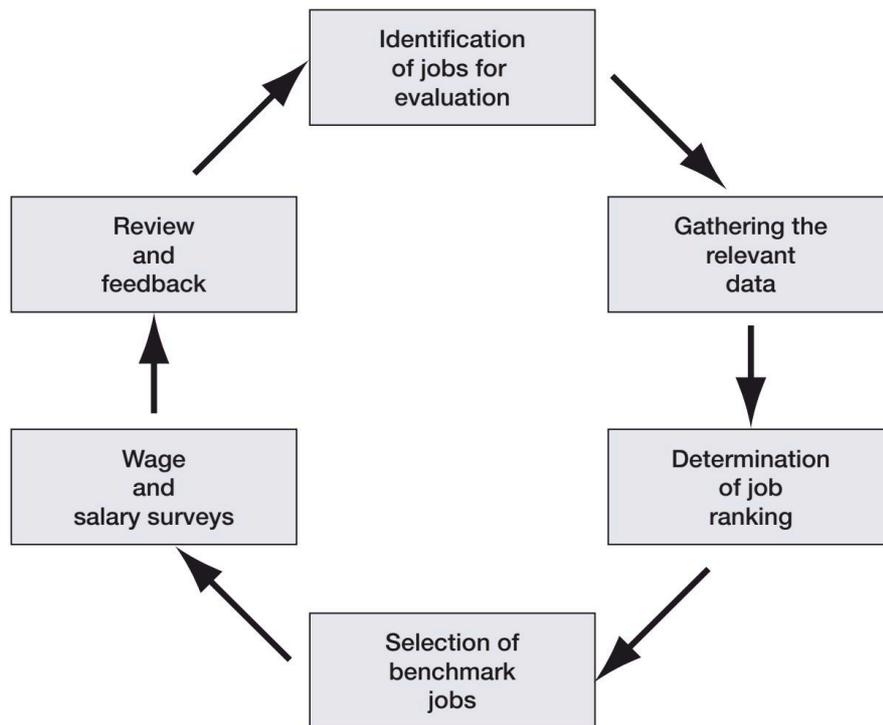


Figure 10.4

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**Steps in Job Evaluation Process**

(iii) determination of job ranking, (iv) selection of benchmark jobs, (v) wage and salary surveys, and (vi) periodic review and feedback. We shall now see these steps in detail.

### Identification of Jobs to be Evaluated

The first step in a job evaluation process is the determination of jobs to be covered under the evaluation process. It is usually difficult for an organization to evaluate all the jobs of the organization. It, therefore, chooses a few key jobs which can represent a group of similar jobs for job evaluation purpose. Once the jobs are identified for evaluation, the next step is the determination of the factors to be evaluated in a job. The evaluator may evaluate one or more of the job factors like physical efforts, mental efforts, concentration, communication and leadership skills, education and experience, job complexity and pressure. However, the need for job factor identification may not arise if the evaluator settles for paired comparison in which “whole man to whole man” comparison is done.

### Gathering Relevant Information about the Jobs

The next phase of the job evaluation process is the collection of necessary information about the jobs being evaluated. For this, the evaluators may adopt data collection techniques like interviews, questionnaires, and observation, besides job description statement, for gathering relevant information. At this stage, the evaluator should completely satisfy himself about the adequacy of information available for assessing the worth of the job. Then, the evaluators should do a thorough analysis of all the information available with them.

## Determination of Job Ranking

After analysing all the information relating to the jobs, the evaluator assesses the extent of the presence of the chosen factors in the jobs. Based on the result of such an assessment, the evaluator determines the ratings for each job. Since similar factors are assessed in an evaluation process, the ratings reflect the relative worth of a job in comparison to other jobs in the organization.

## Selection of Benchmark Jobs

The primary purpose of job evaluation is the development of pay grades for each category of jobs. In this regard, it is necessary for an organization to know what the other organizations are paying for similar jobs. However, it may not be feasible for an organization to ascertain the comparative pay scales of all the jobs in the organization. Due to this reason, the evaluators may select a few jobs which are normally found in every organization and are comparable in nature. These jobs are usually called benchmark jobs and serve as yardsticks for determining the pay scale of all other jobs in the organization.

## Wage and Salary Surveys

In this stage, an organization conducts a survey of pay scales of the benchmark jobs in other organizations in the industry. Salary surveys may be conducted by an organization in a formal or informal way. Similarly, an organization may either conduct a direct survey to gather relevant information or use the published reports of professional agencies or magazines. Based on such survey, the monetary value of each job is determined. Many organizations often use informal sources like telephones, newspapers and the Internet for conducting salary surveys.<sup>47</sup>

## Periodic Review and Feedback

Developments in the external environment influence the organizations continuously and also cause changes in the internal factors. For instance, technological changes influence the job characteristics and requirements profoundly. Consequently, organizations are forced to review the jobs at periodic intervals to determine their worth in the changed context. Feedback should also be collected from different stakeholders like job holders, supervisors, managers and unions about the various aspects of job evaluation to constantly improve the job evaluation process. Box 10.10 outlines the role of external HR experts in the job evaluation exercise.

## Methods of Job Evaluation

Job evaluation methods are usually classified into analytical and non analytical methods (see Figure 10.5). The analytical job evaluation methods are point ranking method and factor comparison method. The non-analytical methods are ranking method, paired comparison method, job grading method, and market pricing. We shall first discuss the analytical methods of job evaluation.

### Analytical Methods

In an analytical job evaluation, jobs are compared on the basis of a few well-defined factors. The presence or absence of these factors in a job determines its worth in the organization. We shall now discuss the analytical job evaluation methods.

Box  
10.10

## The Hay Group and the Reliance Group: Joint Job Evaluation Initiative

Job evaluation is a useful technique employed by an organization to evaluate the worth of a job relative to other jobs. It forms the basis for determining the internal worth of a job. Organizations may either develop their own system or employ the services of external experts for evaluating the internal rankings of jobs. They generally depend on two basic methods for evaluating the jobs. These are job ranking and point ranking methods of job evaluation. The major contribution to the development of point ranking was made by the Hay group management consultants. Today, the Hay group has developed the Job Evaluation Manager (JEM), which is a Web-enabled application that assists the organization in the consistent and continuous evaluation of jobs across different business units and geographic locations. One of the prestigious clients of the Hay group in India

is Reliance Industries Limited. Let us see the joint initiative of the Hay group and the Reliance group on the job evaluation front.

Reliance has completed the “end-to-end” job evaluation exercise for its jobs in petrochemicals business with the assistance of the Hay group. It is planning to decide all its HR-related activities like organization structuring, career planning, compensation, and benefits planning on the basis of the results of the job evaluation done by the Hay group. The company has also decided to extend the services of the Hay group to the remaining business units of the group.

*Adapted from:* [http://www.ril.com/html/aboutus/human\\_resource.html](http://www.ril.com/html/aboutus/human_resource.html); and <http://www.financialexpress.com/news/ril-engages-hewitt-hay-group-for-hr-initiatives/312603/>.

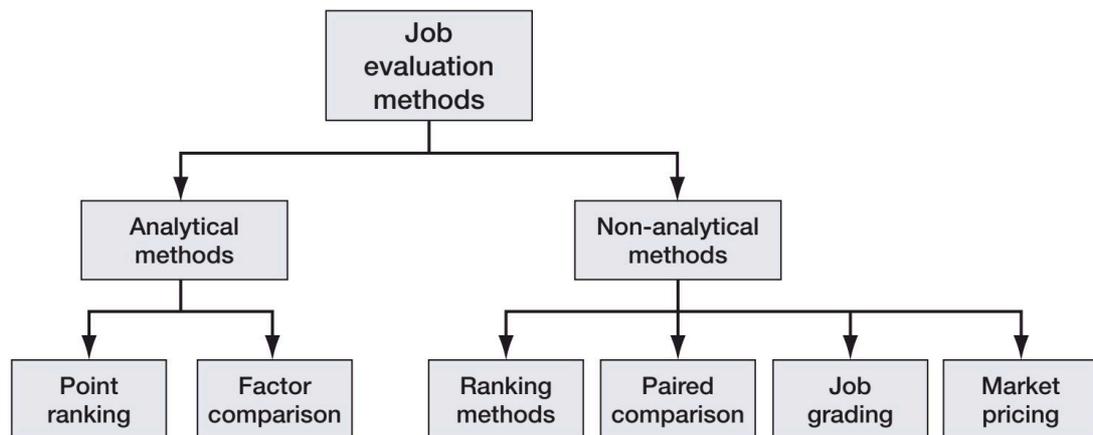


Figure 10.5

#### Methods of Job Evaluation

**Point Ranking** It is one of the quantitative methods in job evaluation. In this method, the worth of a job is determined on the basis of the extent of the presence of some defined factors in that job. These factors are usually called compensable factors. They may include any key factor like skills, knowledge or efforts that are compensable in monetary terms.<sup>48</sup> The following steps are taken in the point ranking method:

1. The evaluators first determine the factors to be evaluated and then assign points for each of these factors, depending upon its importance.
2. After that, they evaluate each job against these compensable factors and award appropriate points.

3. The jobs with a high concentration of these compensable factors get higher points.
4. Finally, these points are aggregated for each job and, based on the overall scores, jobs are ranked.

The efficiency of the point ranking method depends critically on determining the compensable factors and assigning points to each of these. The evaluators may assign more weightage to some factors if they consider them as decisive for the performance of a job. They may also decide on different factors for different jobs. Similarly, they may attach different weightages to different compensable factors. Education, experience, working conditions, physical or mental efforts, responsibility, work hazard and mental stress are a few examples of the compensable factors.

The merits of this method are: (i) Being a quantitative method, it is more objective and accurate than the non-analytical methods. (ii) It is usually more convincing to the employees in accepting the pay scale developed by the organization. (iii) It is an exhaustive evaluation method as jobs are broken into compensable factors, and each factor receives due attention of the evaluators. The limitations of this method are: (i) It is a complex and time-consuming process to develop weights and points for the compensable factors. (ii) It is difficult to explain this method to the average worker as he may differ with the evaluators' criteria for choosing the compensable factors and the system of weights. (iii) It may not be ideal for jobs which require more of non-quantifiable traits like mental dexterity or acumen.

**Factor Comparison** Factor comparison is another quantitative method extensively used in job evaluation. This method is widely seen as an improvement over the ranking method. In this method, a set of factors common to all jobs are identified and assigned points. The five universal job factors are mental requirements, physical requirements, skills, working conditions and responsibilities.<sup>49</sup> Then, each job is compared with others for each one of these factors. Understandably, each job undergoes multiple comparisons with other jobs. For instance, a job may be compared with another for a specific factor like job responsibility and get ranked for that. In the next stage, the same jobs are again compared but for another factor, say, for problem-solving skills. In this way, every job is compared with every other and ranked for all the defined factors. Finally, the points secured by a job for all common factors are totalled and its overall rating is determined. We shall now see the steps in the factor comparison method.

**Identifying the jobs to be evaluated**—At the first stage, the team of evaluators should identify the benchmark jobs for evaluation. These jobs must be capable of representing all others in the organization.

**Selecting the compensable factors**—At this stage, the evaluators gather all the relevant information about the benchmark job through sources like job description and job specification statements. This information is then used for identifying the key factors called compensable factors. These factors must be very important for the successful performance of the job. Once the compensable factors are identified, the evaluators should clearly define each of them in order to achieve consistency in evaluation.

**Assigning weights for each selected factor**—Based on the assessment of the key factors, the evaluators should assign weights as per the significance of these factors to the jobs. For instance, when the evaluators decide that physical endurance is most important for the job, they should assign the highest weightage to that factor. Similarly, the second-most important factor would receive the second-highest weightage, and this goes on till all the compensable factors are assigned due weightages.

**Evaluating and ranking jobs**—This is the crucial stage in the factor comparison method. At this stage, the evaluators actually assess the benchmark jobs in terms of the presence of key factors. The evaluators use the job description and job specification statements extensively for assessing the key compensable factors. Each job gets a final rating based on the degree of presence of these key compensable factors.

**Expressing ranks in wage terms**—In the last stage of the factor comparison method, the evaluators should assign wage rates in monetary terms for each of the compensable factors. Based on the degree of presence of the compensable factors, each job gets rated in wage terms. Finally, all the jobs are ranked relatively on the basis of their financial value.

### **Non-analytical Methods**

In the non-analytical methods of job evaluation, the whole job is taken up for evaluation. Obviously, jobs are not broken up as parts or elements for evaluation. As such, this method is concerned with job matching and not job analysis. The important non-analytical job evaluation methods have been discussed here.

**Ranking** In this method, each job is ranked after its comparison with all other jobs in the organization. Based on their worth to the organization, jobs are placed in a vertical order. An important prerequisite for the job ranking method is job analysis and the resultant job description statement for each job under consideration. On the basis of the job description statement, the evaluator identifies the most critical factor required for successful performance of the job. For instance, persuasion skills may emerge as the decisive factor for the marketing jobs. Based on that single factor, the total job is evaluated and ranked relatively.

The merits of this method are: (i) It is the simplest and least expensive method. (ii) It is also less time-consuming and flexible. However, it suffers from a few limitations. These are: (i) It may overemphasize the relevance of a single factor in a job while totally neglecting other important factors. (ii) It does not indicate the extent of the difference between any two successive jobs in the rank order. (iii) It is a subjective evaluation method as the whole job is evaluated and ranked without any reference to its distinct characteristics.

**Paired Comparison** In this method, each job is individually compared with every other in the organization. If, during the comparison, a job is found to have more value than another, it is assigned some reward points. If it is considered less important, it gets no points. In this way, each job accumulates points, and at the end of the multiple comparisons, rankings are done on the basis of the aggregate scores. In the paired comparison method too, a job description statement is an essential document for determining the relative worth of each job.

The merits of this method are: (i) It is simple and easy to compare one job with another. (ii) Each job gets equal attention in the multiple pair comparisons and, thus, better consistency is established in job grading. The limitations of this method are: (i) it is a subjective process as the whole job is compared with another whole job and, as such, the unique job characteristics are overlooked in the comparisons. (ii) It is difficult to apply this method if there are a large number of jobs as multiple comparisons would involve numerous computations.

**Job Grading** In this method, jobs are grouped on the basis of the similarities found in their characteristics and values. In other words, jobs with characteristics in common are assembled into groups. This kind of grouping of similar jobs is usually called job classification. Generally, jobs within each job group or class are eligible for the same pay scale or

grade. In addition to the job description statement, this method also requires the preparation of the class description statement. A job description indicates the job characteristics while class description specifies the group characteristics. The class characteristics may include, among others, the problem-solving skills required, the communication and persuasion abilities needed, demand for creativity, the physical or mental efforts required, and the difficulty and stress involved in the job. After the class description statement is prepared, each job is evaluated against the class description. When a job is found to have characteristics similar to the class characteristics, it is included in that job class.

The merits of this method are: (i) This method is more practical than job ranking as job classifications are essential for pay grading or classification. (ii) It is neither complicated nor expensive. (iii) It simplifies the wage and salary administration as jobs within a group or class are similar in characteristics. Moreover, this kind of classification of job groups results in groups that are also usually fewer in numbers in the organization. The defects of this method are: (i) The preparation of a class description is a difficult and time-consuming process. (ii) The absence of a credible justification for the inclusion of jobs in a job class may cause employee grievances and strain industrial relations. (iii) The classification of jobs may cause subjectivity in evaluation.

**Market Pricing** Job evaluation ensures internal equity in the fixation of pay scales for different jobs. However, internal equity alone is not sufficient in compensation management. It is also essential for an organization to establish external equity in the pay scales for a job. External equity refers to bringing the pay scales for jobs in the organization on par with the pay scales of similar jobs in other organizations. That is why organizations often conduct salary surveys to know the relevance of their own pay scales to the market conditions. Sometimes, the organizations may, knowingly or unknowingly, overpay or underpay their employees for their job efforts. When an organization overpays its employees, it would be a financial burden for it. In contrast, if it underpays them, it would find it difficult to attract and retain the best talents. To avoid such circumstances, organizations may adopt market pricing as a method of job evaluation.

In the market pricing method, the wages prevailing in the labour market act as the basis for job evaluation. The organization conducts an extensive salary survey for all the benchmark jobs. Based on that survey, jobs are evaluated and pay scales are fixed appropriately. At this stage, the evaluators should take a decision about whether to fix the pay scales above the market rate or on a par with it. However, when similar jobs are not available in other organizations, it would be difficult to frame the market-based pay scales. In such cases, the organization can adopt the ranking method to determine the pay scales based on the available information.<sup>50</sup>

The merits of this method are: (i) It is a simple and flexible method. (ii) It is an objective method of job evaluation as the evaluators' judgment is not required. (iii) It does not demand any special skills or training on the part of the evaluators. The limitations of this method are: (i) It may be difficult to get survey data for all benchmark jobs. (ii) Even temporary conditions in the market may influence the salary survey and also the pay fixation process. (iii) Any downward revision of the pay scales on the basis of the market conditions can affect the labour-management relations.

## **Benefits of Job Evaluation**

An objective job evaluation can offer wide and varied benefits to an organization. These benefits are:

### **Basis for Developing Job Grading and Job Family Structure**

Job evaluation provides the basis for developing or reviewing job grading in the organization. It also helps in creating job families by grouping jobs having similar characteristics.

### **Basis for Fair Pay Policy**

Job evaluation enables an organization to develop a systematic and scientific basis for the determination of equitable pay and other incentives.

### **Facilitates Better Financial Management**

Since pay scales are fixed on the basis of the relative worth of the job to the organization, the possibilities of overpayment to jobs get reduced. As a result, job evaluation enables an organization to save HR cost and achieve better financial planning and control.

### **Ensures Harmonious Industrial Relations**

The employees' perception of fairness and transparency in decisions involving job evaluation and pay fixation can avoid their dissatisfaction over pay and benefits. Obviously, this would enable the organization to keep labour turnover and absenteeism well under control. In the long run, the organization would enjoy high goodwill in the labour market and would also be able to attract the best talents with ease.

### **Basis for Training Need Identification**

As job evaluation studies the job characteristics and job demands in terms of the efforts and skills required, it can also be used to determine the training and development requirements of the job holders.

### **Basis for Career Planning and Development**

Since job evaluation considers the behavioural, motivational and personality requirements of a job in addition to the job characteristics, it provides the basis for determining the career plans and succession plans of the organization.

## **Limitations of Job Evaluation**

Job evaluation is a basic requirement for determining the pay scale of employees in a systematic and objective manner. However, the objectivity in determining the compensation suffers due to the defects in the planning and/or execution stages of job evaluation. We shall now see the limitations that affect the efficiency of job evaluation:

- None of the methods in job evaluation is considered to be completely objective as some amount of subjectivity is involved in the selection of benchmark jobs and key compensable factors.
- Job evaluation does not usually consider the influence of external factors on the jobs. When a job gets higher pay in other organizations, it would be difficult to fix anything less than the prevailing wages even if job evaluation recommends so.
- Due to the faster pace of changes in external factors like technology and labour market characteristics, job characteristics and requirements undergo changes in quick

succession. This makes job evaluation results relevant for a short period only. Thus, organizations are often under pressure to undertake job evaluation frequently. This may push up the HR cost of the organization.

- Conventionally, job evaluation means higher pay scales for the employees and additional financial commitment for the organization. Consequently, organizations are averse to the job evaluation exercise.
- The determination of employee compensation is often influenced by the bargaining power of the employees and their unions. However, the job evaluation process never considers this factor while deciding the pay scales for the jobs.
- Traditionally, organizations consider the experience, seniority and commitment of the employees while fixing their salary and other benefits. But, there is no in-built provision for these factors in performing the job evaluation while arriving at pay scales for different jobs.
- Since job evaluation is usually a time-consuming, complex and costly process, small and medium organizations give little importance to it while fixing the pay scale.

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

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

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

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

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

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

### **Ensuring Top Management Support**

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

### **Defining the Job Factors Clearly**

The evaluators must develop a clear-cut criterion for the selection of benchmark jobs for evaluation. Similarly, they should choose the job factors properly and define them

unambiguously. Further, they should assign weights to these factors after considering all the relevant information duly.

### **Distinguishing the Job from the Job Holder**

The evaluators should never be influenced by the performance and behaviour of the job holders. They should strictly confine themselves to the requirements and conditions of the jobs alone. They must rank the job and not the job holders.

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

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

### **Recognizing the Role of Trade Unions**

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

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## **Summary**

1. Performance evaluation is an objective review and rating of an employee's performance in comparison with the relative performance standards.
2. Performance management is a total and integrated process comprising goal-setting, training, evaluation, and rewarding of employees.
3. The objectives of performance evaluation are identification of the performance gap, providing a basis for promotion, transfer and termination, aid in designing training and development programmes, assistance in wage and salary administration, help in increasing employee effectiveness, improvement in interpersonal relations, and identifying the employees' grievances.
4. Performance evaluation is widely used in HR activities like human resource planning, recruitment and selection, employee training and development, compensation decisions, career planning and development, grievance and discipline issues, and employee feedback.
5. The important criteria used for determining standard performance are: individual traits, behavioural characteristics, goal accomplishment, scope for improvement, and competencies.
6. The steps in a performance evaluation process are: setting performance appraisal goals, establishing performance criteria and informing the employees about them, actual evaluation of performance, and discussing the evaluation results with the employees.
7. The potential evaluators for performance evaluation are the immediate supervisor, the peer group, employees, committees, self-evaluation, and customers.
8. The performance evaluation methods are rating scales, ranking method, paired comparison, forced distribution, forced choice, critical incident, essay method, cost-benefit, work standard, checklist, field review, confidential report (CR), and result-based evaluation system.
9. Behaviourally anchored rating scales (BARS) method is a combination of positive features of several other methods like critical incident, essay method and rating scales.

10. The uniqueness of the 360-degree feedback method is that all those who interact with an employee in any capacity will provide an evaluation report on him. The steps in the development of the 360-degree feedback are determining the objectives, deciding the receiver and giver of feedback, establishing the performance criteria, determining the mode of collecting the data, finalizing the method of data analysis and presentation, trying a pilot scheme, execution of the feedback process, and evaluation and communication.
11. Management by Objectives (MBO) counts on joint goal-setting to formulate and achieve the objectives of the organization.
12. The problems in performance appraisal are the absence of objectivity, halo effects, central tendency, lenient attitude, bias, recency effects and employee resistance.
13. Post-evaluation interview is the interview conducted with the evaluated employees, usually at the end of the evaluation process.
14. Job evaluation is a systematic technique used for deciding the relative worth of a job based on its comparison with other jobs.
15. The steps in job evaluation process are: (i) identification of jobs to be evaluated, (ii) gathering relevant information about the jobs, (iii) determination of job ranking, (iv) selection of benchmark jobs, (v) wage surveys, and (vi) feedback.
16. The non-analytical methods of job evaluation are ranking method, paired comparison, job grading, and market pricing; the analytical methods are point ranking method and factor comparison method.
17. The steps in the factor comparison method are: identifying the jobs to be evaluated, selecting the compensable factors, assigning weights for each selected factor, evaluating and ranking jobs, and expressing ranks in wage terms.
18. The benefits of job evaluation are: forms a basis for developing job grading and job family structure, forms a basis for fair pay policy, facilitates better financial management, ensures harmonious industrial relations, a basis for training need identification, and forms a basis for career planning and development.
19. The measures to enhance the effectiveness of job evaluation are: gaining confidence of the employees, providing adequate training for the evaluators, ensuring top management support, defining the job factors clearly, distinguishing the job from the job holder, ensuring the accuracy and reliability of the source documents, and recognizing the role of the trade unions.

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## Review Questions

### Essay-type questions

1. Explain critically the traditional methods of performance evaluation.
2. Describe in detail the various steps involved in the performance evaluation process.
3. Write about each of the possible evaluators in a performance evaluation process.
4. Discuss the role of the performance evaluation system in an organization.
5. Evaluate critically any five performance evaluation methods.
6. Enumerate the meaning, merits and limitations of the 360-degree feedback method.
7. What are the challenges facing performance evaluation today? How will you overcome them?
8. Discuss the relevance of performance evaluation to the various HR functions of an organization.
9. Illustrate with examples the most suitable methods for evaluating the employees of public sector organizations.
10. "Performance evaluation discourages creativity." Do you agree with this statement? Justify your stand.
11. Evaluate critically the attitude of Indian organizations toward the concept of performance evaluation.
12. Trace the developments that contribute to the growth of performance evaluation as an important HR tool.
13. Examine the meaning, characteristics and objectives of job evaluation.
14. Explain critically the steps involved in the job evaluation process.

15. Enumerate the analytical job evaluation methods with relevant examples.
16. Discuss in detail the non-analytical job evaluation methods with pertinent examples.
17. Evaluate critically the merits and limitations of job evaluation.
18. What are the challenges facing job evaluation in an organization? How will you overcome such challenges?
19. "Job evaluation improves employee satisfaction, performance and commitment." Discuss.

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## Notes

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# Compensation Administration

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 List the objectives, steps and challenges of compensation administration
- 2 Explain the elements, types and theories of compensation
- 3 Explain the concept of wages
- 4 List the kinds of pay structure
- 5 Elucidate the objectives of remuneration
- 6 List the elements and criticisms of executive compensation

As on 31 December 2008, steel conglomerate Arcelor–Mittal had nearly 316,000 employees and 66 factories in 20 countries. Its compensation strategy aims at motivating the employees towards organizational goal accomplishment, encouraging them to develop their skills and competencies continuously, retaining those who achieve performance standards and forcing the low achievers through pay-performance sensitivity to improve their performance.

Arcelor–Mittal views its employees as its most valuable assets and adopts four key steps to achieve the required production efficiency. These steps are aligning the organizational structure with the company's goals, ensuring the right people for the right roles, succession planning and development, and effective incentive programmes. The basic elements of Arcelor–Mittal's compensation plans are: (i) the basic salary, which is competitive with similar organizations and also in the median of the market pay range, and (ii) the above-market bonus

as a reward for its employee in the years that have good results. The company also offers an Employee Share Purchase Plan (ESPP) to all its employees in different countries along with the bonus reward. To enhance the effectiveness of the compensation plans, Arcelor–Mittal ensures complete transparency and internal equity in pay fixation by adopting a group methodology in job evaluation. It also relates pay with performance to achieve the desired performance and efficiency.

Further, the executive compensation plan of Arcelor–Mittal consists of a fixed annual salary, short-term incentives like performance-related bonus, and long-term incentives such as stock options. In addition to these rewards, its executives are also eligible for perks like company cars, insurance policies, and pension plans.

Now that we have discussed the compensation schemes of one of the largest companies in the world, we shall now discuss the relevance of compensation for organizations in general.

## Introduction

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

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

Rewarding the employees for their job efforts is the focus of the definitions of compensation. Box 11.1 lists a few of its definitions.

We may define compensation as the sum of the rewards for the job-related efforts of the employees and also for their commitment to and involvement in the job.

## Objectives of Compensation Administration

Although talent attraction and retention is the primary objective of compensation administration, it also serves several other purposes. We shall now discuss the important objectives of compensation administration in detail.

## Equity in Compensation

The primary objective of compensation administration is to ensure internal and external equity in the payment of salary and other benefits to the employees. Internal equity refers to the

**Box  
11.1**

### Definitions

“Compensation is a broad term pertaining to financial rewards received by persons through their employment relationship with an organization.”<sup>1</sup>

—Terry Leap

“Compensation means all forms of pay or rewards going to employees and arising from their employment.”<sup>2</sup>

—Gary Dessler

“Compensation is the total of all rewards provided to employees in return for their services. The overall purposes of providing compensation are to attract, retain, and motivate employees.”<sup>3</sup>

—R. Wayne Mondy

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

### **Enhancing Individual and Organizational Efficiency**

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

### **Employee Motivation and Retention**

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

### **Goodwill in the Labour Market**

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

### **Adherence to Laws and Regulations**

Complying with the prevailing laws and legislation of the country of operation is another objective of the compensation administration system. A sound compensation system would normally consider the challenges and constraints imposed by the government on compensation management. A good compensation plan would operate effectively without violating any of the legal provisions governing the computation and payment of wages and other incentives and benefits to the employees.

### **Controlling the HR Cost**

Any compensation administration aims at keeping the HR cost well under control. Certainly, a good compensation policy would neither overpay nor underpay its employees. In fact, an

effective compensation policy would reasonably satisfy the divergent needs and aspirations of both the employees and the employers.

### **Improving Industrial Relations**

An effective compensation administration scheme intends to improve the labour–management relations in the firm. In many organizations, compensation is the major source of conflict between the management and the labour unions. However, a well-designed and transparent compensation plan would enable the organization to prove its interest in the well-being of its employees. It, thus, helps the firm in improving the employer–employee relations.

### **Types of Compensation**

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

#### **Direct Compensation**

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

**Basic Pay** This is the basic salary received by the employee as a direct compensation for the work done by him. It is a fixed component in the compensation and it often forms the basis for the computation of variable components like bonus and other benefits. It does not usually include any incentives or allowances. The basic pay in a compensation package actually reflects the worth of a job determined through job evaluation. Generally, the compensation policy of an organization and the external labour market conditions influence the determination of the basic pay for a job.

**Variable Pay** This is a pay which is basically linked to the performance of the individual, group or the organization. Organizations normally offer a portion of the compensation in the form of variable pay to its employees. Variable pay may include incentives, commissions, profit-sharing, gain-sharing, and bonuses. It can be defined as an alternative compensation scheme that correlates the pay with the business results and promotes a participative management process.<sup>4</sup> We shall now discuss a few components of the variable pay.

**Profit-sharing**—In this variable type of pay, an organization distributes a part of its profit to its employees. An important form of a profit-sharing plan is the bonus plan, in which the employees get a share of the profit at the end of the year. However, some organizations may defer the payment of the shares of profit till the expiry of a specific period. Till such time, the deferred profit share would be in the account of the employees but maintained by the company.

**Gain-sharing**—In gain-sharing, compensation is determined on the basis of the group or organizational performance. Normally, savings in costs, increase in quality, productivity, and customer satisfaction are the measures used for sharing the gains made by the organization.

**Equity plans**—Equity stock option plans (ESOPs) offered by the companies are also one of the direct compensation schemes. The purpose of ESOPs is to create an ownership interest for the employees in the organization. In this form of direct compensation, employees stand to gain from the overall performance of the organization. This can also help the employees in integrating their individual interests with the organizational interest.<sup>5</sup>

### Indirect Compensation

Indirect compensation includes the benefits enjoyed by the employees but paid by the organization. Usually, indirect compensations are available to all the employees irrespective of their performance in the job. Mostly, the decisions relating to indirect compensation are influenced by the employees' length of service and eligibility. Besides, indirect compensation decisions are normally guided by the policies and benefits offered by similar organizations.<sup>6</sup> Typically, the components of indirect compensation are health-care schemes like Medclaim, insurance schemes, leave travel concessions, retirement benefits and other social security schemes. An organization may also offer facilities like club membership, car, and vacation at holiday resorts as part of indirect compensation. Box 11.2 outlines the role of compensation strategy in talent attraction and retention.

The primary objective of the compensation plans is to satisfy the employees' needs. These needs may be classified as monetary and non-monetary. The monetary needs are satisfied through direct and indirect cash compensation. The non-monetary needs are satisfied through non-monetary rewards.

Non-monetary benefits include such benefits provided by the organization to the employees that do not entail any cash expenditure. These non-monetary rewards in general

#### Box 11.2

#### Compensation Administration Programme of L&T

Compensation fixation is understandably the most challenging task for the HR department. This is because there is an inverse relationship between the cost for an organization and its profit. Moreover, the labour cost usually constitutes a major portion of the total cost for an organization. Therefore, the compensation plans should be developed in such a way that they not only enhance the efficiency of the employees but also help retain the efficient ones in the business for a relatively longer period of time. A compensation package must have several internally consistent components to achieve multiple objectives. It is pertinent to cite here the compensation theme of Larsen & Toubro Limited (L&T).

L&T is one of the reputed companies engaged in engineering and construction business. The primary objective of its compensation is the general well-being

of the employees. The company views its employees as a source of definite competitive advantage. Through its compensation programmes, it looks to attract and retain talented employees. Its compensation motto is to offer salary and benefits which are the best in the industry. With regard to perks, the company offers medical insurance schemes, retirement benefits, free transportation and part-furnishing of accommodation at different project sites. In addition to getting all the benefits available to the employees, the executives of the company are also entitled to company cars and loans for furniture, housing and children's higher education. The company extends financial credit to them to buy personal computers. It also enables them to secure membership of superannuation scheme and reimburses their club membership expenses.

*Adapted from:* <http://www.Intecc.com/HR/benefits.asp>.

help the organization in ensuring better cooperation and commitment from the employees. These may include, among others, job rotation, job-sharing, and flexi hours, e-commuting, free parking, reduced supervision, and promotions or transfers without any monetary benefits. Non-monetary benefits normally provide intrinsic satisfaction to the employees and keep up their motivation and morale.

## Theories of Compensation

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

### The Equity Theory

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

This theory traces the cause of employees’ satisfaction and dissatisfaction in the job to their perception of fairness or unfairness in the balance between their job efforts and job rewards. It is, therefore, necessary for the organization to develop a fair balance between the job efforts called input and the job rewards called output. The following illustration would highlight the working of Adams’ equity theory. Table 11.1 outlines the working of equity theory process.

### The Expectancy Theory

Vroom’s expectancy theory is another important guiding factor in understanding employees’ psychology concerning work and reward. According to this theory, employees work hard

**Table 11.1 The Working of the Equity Theory Process**

<i>Input</i>	<i>Output</i>	<i>Result</i>
<ul style="list-style-type: none"> <li>• Effort</li> <li>• Trustworthiness</li> <li>• Hard Work</li> <li>• Commitment</li> <li>• Involvement</li> <li>• Knowledge</li> <li>• Ability</li> <li>• Dynamism</li> <li>• Flexibility</li> <li>• Perseverance</li> <li>• Determination</li> <li>• Keenness</li> <li>• Sacrifice of individual goals</li> </ul>	<ul style="list-style-type: none"> <li>• Monetary rewards (salary, incentives and benefits)</li> <li>• Non-monetary rewards (recognition, reputation, self-responsibility, achievement, appreciation, recognition, sense of advancement, job security)</li> </ul>	<p>Input greater than output Outcome</p> <p>Low employee satisfaction and motivation</p> <p>Output greater than input Outcome</p> <p>High employee satisfaction and motivation</p>

Source: <http://www.mindtools.com/>; reproduced with permission.

in the job when they are sure of positive outcomes in the form of attractive rewards from the job. Employee motivation is the function of three factors, namely, effort, performance and outcome. Employees work with zeal when they are certain about achieving superior performance and positive outcome in the job. Thus, positive expectations about the eventual job outcomes create high employee motivation in the organization. As per this theory, an organization must constantly reinforce the belief of the employees that their efforts would get them good rewards. It should be ensured by the organization that the sincere efforts of the employees result in a high performance, which, in turn, gets them a good reward.

### **The Contingency Theory**

According to this theory, different compensation strategies act equally well in different circumstances. As such, there is no single compensation strategy available for all conditions. The effectiveness of compensation strategy certainly depends on the congruence among the firm, the environment and the compensation strategies. Thus, it is possible to know the importance of compensation only when other job properties are provided.<sup>7</sup> This theory can be understood better through the following example. A promising candidate, owing to family reasons (like children's education), is not willing to leave his location (city or country). In fact, he prefers to settle in a local job even if the compensation is not rewarding. In this case, compensation becomes a secondary factor for the prospective candidate since the location of the organization becomes a primary factor. In such a situation, it is necessary for the organization to ascertain the additional monetary compensation required to persuade the prospective candidate to give priority to compensation with respect to other factors. The essence of this theory is that the importance of compensation varies from one market to another, depending upon the presence or absence of other job properties.

### **The Agency Theory**

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

Compensation administration system can be classified into two kinds—behaviour-oriented system and outcome-oriented system. In the case of behaviour-oriented compensation system, employees are eligible for merit-based compensations. In contrast, the outcome-oriented compensation system provides for performance-based compensation like stock options, profit-sharing, gain-sharing and managerial commission. The agency theory supports ideally the concept of outcome-based compensation for enhancing the employees' commitment and involvement. This theory also induces the employees to take better responsibility for their decisions. Agency compensation like employee stock options are perceived as less expensive by the organization as it does not entail any cash outlay for the firm.<sup>8</sup>

## Concept of Wages

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

### Real Wages

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

### Minimum Wages

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

### Fair Wages

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

### Living Wages

*Living wages* is defined by the committee on fair wages as the “highest level of wages that should enable the earner to provide for himself and his family not only the bare essentials

of food, clothing and shelter but a measure of frugal comfort, including education for his children, protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes, including old age.”<sup>10</sup> The purpose of living wages is to ensure that the employees get an income which is sufficient for meeting their present and future necessities and contingencies. The living wage may be described as an ideal wage for an employee as it takes care of all his needs and those of his dependents adequately. However, the living wages must be based on the national income and the ability of the industry to pay such living wages.

## Pay Structure

Pay structure refers to the various levels of pay existing in an organization for different categories of jobs. An ideal pay structure creates a logically designed framework, which, in turn, facilitates the fixation of equitable and fair employee compensation.<sup>11</sup> The purpose of developing a pay structure is to achieve an effective differentiation of pay based on knowledge, skills, abilities, commitment, performance and productivity of the employees. Generally, organizations consider the job evaluation report and the conditions prevailing in the labour market while framing the pay structure. A pay structure helps in determining the promotion and succession plans of an organization. Depending upon its compensation philosophy and policies, the organization may decide whether to opt for a single pay structure or a multiple pay structure.

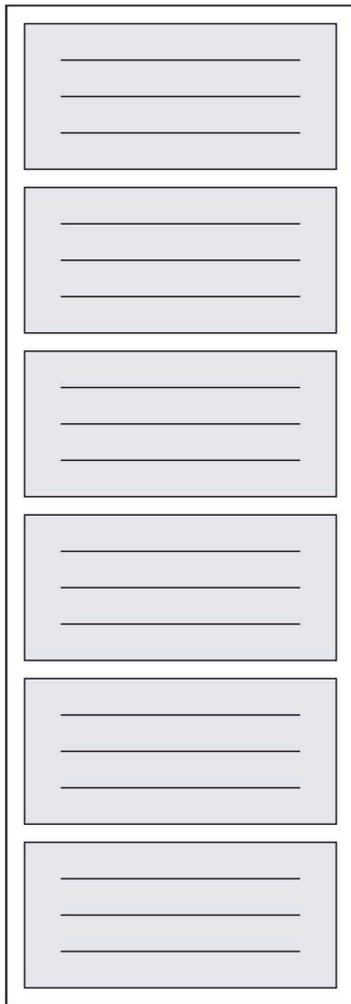
### Kinds of Pay Structure

It is essential for an organization to have a need-based pay structure with the right mixture of flexibility and stability. An organization can choose an appropriate pay structure from the different pay structures available. We shall now discuss the kinds of pay structure briefly.

**The Narrow-graded Pay Structure** The narrow-graded pay structure is also called the traditional pay structure. Organizations normally have several pay grades in the pay structure. Each pay grade comprises several pay levels or scales. It consists of a group of jobs with similar internal worth and market considerations. It also has the lowest and highest limits within which the pay may be fixed for an employee. The traditional pay structure provides multiple pay-raise opportunities for the employees and also facilitates a faster pay progression from one pay grade to another.

The merit of this method is that it avoids ambiguity and ensures better clarity as each pay grade consists only of jobs with exactly equivalent worth. The limitations of this method are: (i) The presence of several pay grades might lead to difficulty in pay revisions and compensation management. (ii) There is a risk of employees reaching the peak stages of pay grades faster than they actually deserve. The narrow pay grade has been illustrated in Figure 11.1. Each pay grade in the figure consists of only three pay levels and the employees can quickly move to the next pay grade in this pay structure.

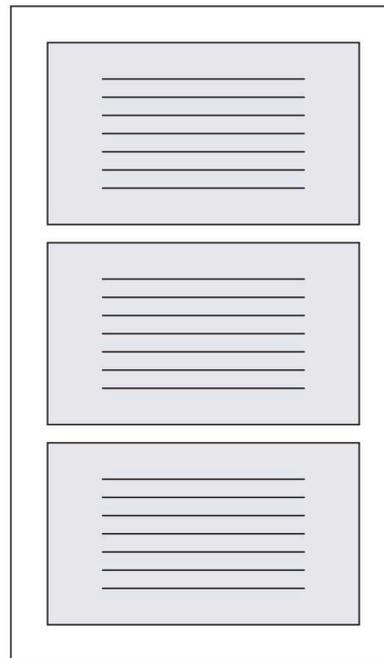
**The Broad-graded Pay Structure** In a broad-graded pay structure, the number of pay grades is kept to the minimum. Even if an employee gets several pay hikes in this form of pay structure, he would remain within the same pay grade for a relatively longer period of time. Usually, there would be few restrictions and conditions imposed for pay progression within a pay grade. However, the organization may enforce necessary conditions for the movement of employees from one pay grade to another. In this way, an organization can ensure better



— Pay level or scale  
 □ Pay grade

Figure 11.1

**A Narrow-graded Pay Structure**



— Pay level or scale  
 □ Pay grade

Figure 11.2

**A Broad-graded Pay Structure**

control over compensation management. Similarly, an organization can link pay rise with performance, skills and experience effectively. Figure 11.2 shows six pay levels in each pay grade, which means that the employee would move to the next pay grade only for his seventh pay hike in the existing pay grade. This structure would obviously keep the employees within a pay grade for a longer period.

**The Job Family Structure** The job family structure refers to the classification of jobs on the basis of discipline, occupational category, or functional areas in an organization that defines the nature and type of performed work. The organization may have distinct job families for different departments like production, marketing, finance, purchase, and research and development (R&D). Each job family can have its own set of salary ranges that are usually based on pay trends in the relevant labour market. For instance, one pay grade can be offered for the marketing department while another can exclusively deal with the R&D wing of the

organization. Within each pay grade, the employees of the same department may be fixed in different pay levels, depending upon predetermined criteria like experience, education, responsibility and competencies. The number of pay levels in each pay grade may be decided on the basis of the nature of the department, the complexity of the jobs, labour market conditions, and organizational policy. Typically, a university may have distinct job families for administrative services, facilities services, information technology services, media/public relations/alumni services, research/science services, safety and security services, and student/academic services.<sup>12</sup> Figure 11.3 shows the pay grades for a job family structure.

**The Career Family Structure** A career family structure is similar to a job family structure except that the focus here is on career path and development. In the career grade, each employee gets a career progression (moves to higher pay scales) in a career hierarchy but remains within a single pay grade. Obviously, each employee would be aware of his career growth prospects in the organization and also of the financial prospects associated with his career growth. Career grades can help the organization get the best talents from the labour market because there would be clarity and firmness in the career growth and development for every position in the organization. A career grade also facilitates the decisions regarding the training and development requirements of the employees. However, it should be ensured that the progression within the career grade is based only on the requirements of the job and not on the skills and personal attributes of the employee.

**Essentials of a Sound Pay Structure**

A sound pay structure is critical for effective compensation management by an organization. It improves employee satisfaction, commitment, motivation and performance. It can also enhance the co-operation between the employer and the employees. We shall now see the main ingredients of an effective sound pay structure.

**Alignment with the Business Objectives and Needs** While determining the pay structure of the employees, it is essential to consider the objectives of the organization. These objectives are capable of providing directions to the entire business. They can also guide all the pay decisions

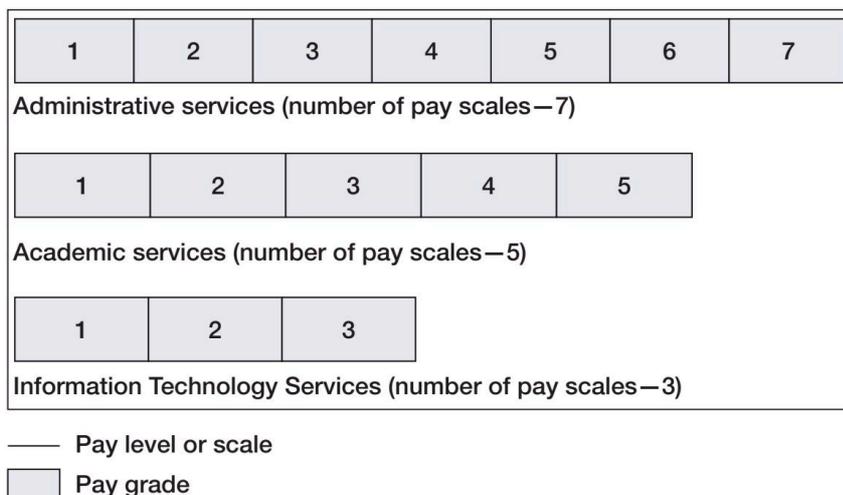


Figure 11.3

**The Job Family Structure for an Educational Organization**

of the organization. An organization may have specific objectives in terms of profit, customer satisfaction or expansion programmes. Different pay structures may be ideal for accomplishing different organizational objectives and needs. For instance, the marketing department may find a traditional pay structure suitable for its employees while the production department may opt for a broad-graded pay structure. The organizations may settle for a single or multiple pay structure, depending on their business needs, objectives and characteristics.

**Internal Equity** A sound pay structure ensures fairness and equity in the determination of pay levels for its employees. There must be equal pay for jobs of similar nature based on job evaluation. To achieve genuine equity in pay scale determination, there must be an objective evaluation of the job duties, responsibilities, difficulties and other factors connected with the job. The merit, seniority, and competencies of the employees should also be duly considered. There should be no discrimination in the fixation of pay levels on the basis of gender, caste, religion or region. The worth of the job should be the only guiding factor in deciding the pay levels and grades.

**External Equity** In addition to ensuring internal equity in determining the pay structure, an organization should also make certain that there is an external equity in the pay fixation. External equity ensures that the employees' pay levels are comparable with those of employees in similar jobs in similar organizations. Pay parity with other organizations helps the organization in attracting, retaining and motivating talented employees. Organizations usually conduct salary surveys to identify the pay levels of the industry in general and the competing firms in particular. They can do a realistic assessment of the degree of external equity in the existing pay scales with the help of exit interviews and labour turnover rates. Although higher pays normally attract the best talents from the labour markets, this cannot be the only criterion for achieving external equity. This is because the employees give equal weightage to other factors like job security, organizational environment and non-monetary benefits, while deciding the degree of external equity in an organization.

**Reward for the Desired Performance and Behaviour** Pay levels should be fixed in such a way that they reward the employees adequately whenever they come up with the targeted performance levels and behaviour. They should also be capable of sustaining the employees' willingness to continue with the same performance and behaviour in the future too. Similarly, there must be an in-built incentive available in the pay scale for encouraging high performance, high involvement and commitment among the employees.

**Legal Compliance** The pay structure of an organization must be in compliance with the prevailing laws and regulations of the country. It should also implement the recommendations of the statutory wage boards in a time-bound manner. The organization should incorporate the relevant provisions of the Minimum Wages Act 1948, Payment of Wages Act 1936, Industrial Disputes Act 1947, Equal Remuneration Act 1976, and other relevant acts in its compensation policy. Finally, since the government may impose rules and regulations from time to time, the pay structure must be flexible enough to fit in these changes in its pay structure quickly.

**Reconciling Individual and Organizational Interest** The pay structure should serve not only the interests of the employees but also the organizational interest. There must be due regard for the long-term interest of the organization while fixing the pay scale of

the employees. The pay structure must have the capacity to attract the right employees at a reasonable cost to the organization. To reduce the financial burden of the organization, a good portion of the employees' pay may be linked to their performance and productivity. Such an arrangement would enable the organization to control the labour cost effectively.

## Factors Influencing Compensation (Wages and Salary) Administration

As illustrated in Figure 11.4, the nature and amount of compensation payable by an organization is influenced by a host of internal and external factors. But, the degree of influence of these factors might differ from one organization to another and also from one situation

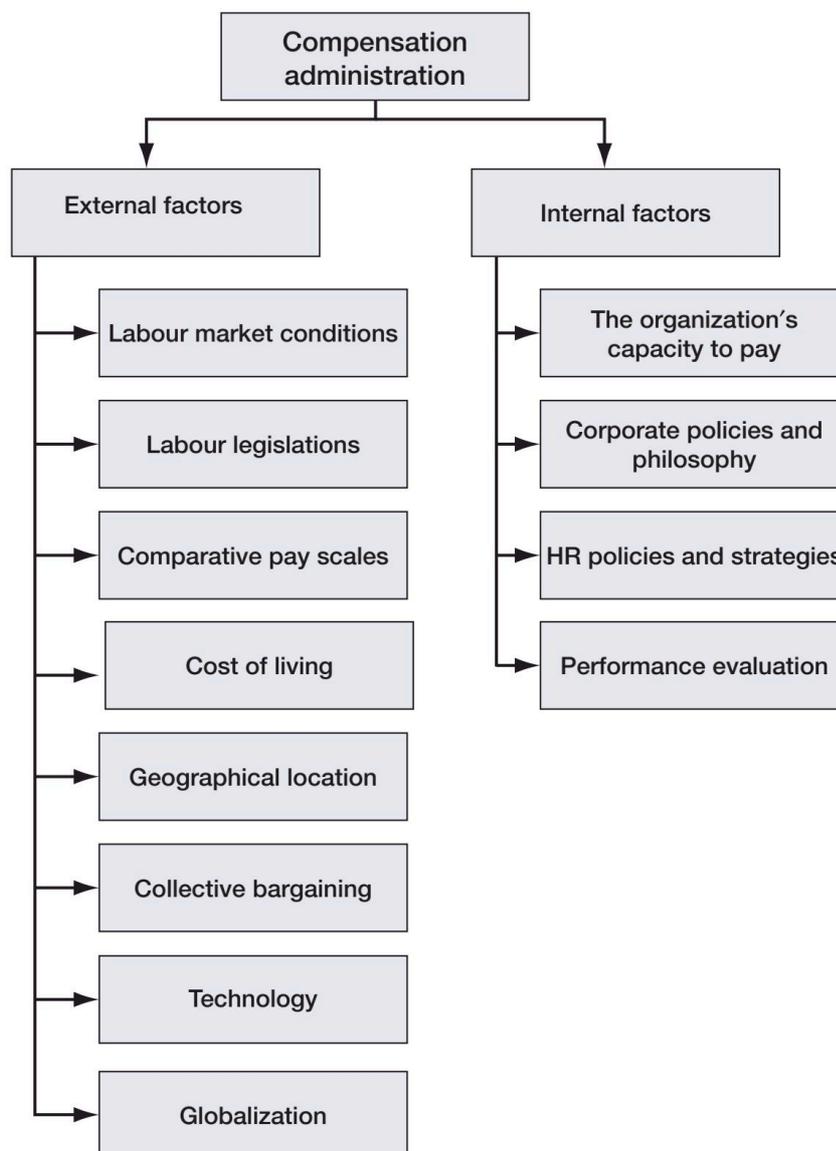


Figure 11.4

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### Factors Influencing Compensation Administration

to another. In the globalized and intensely competitive market conditions, organizations continuously make varied efforts to achieve cost-effectiveness and need fulfilment through their compensation policies.<sup>13</sup> As mentioned earlier, the factors influencing compensation administration are classified broadly into internal and external factors. The external factors influencing compensation are (i) labour market conditions, (ii) labour legislations, (iii) comparative pay scales, (iv) the cost of living, (v) the geographical location, (vi) collective bargaining, (vii) technology and (viii) globalization. The internal factors influencing compensation are (i) the capacity of the organization to pay, (ii) corporate policies and philosophy, (iii) human resource policies and strategies, and (iv) performance evaluation. We shall now see these factors in detail.

### **External Factors**

The external factors remain outside the purview of an organization and yet influence its compensation administration. In fact, most of the factors influencing compensation administration are external. We shall now see these factors in detail.

**Labour Market Conditions** The difference between the demand for specific categories of employees and their supply in the labour market influences the compensation administration decisively. When the demand for labour exceeds its supply, there would be a labour shortage. In such a situation, the organizations are forced to offer higher rates of compensation to get the required number of suitable employees. This is because the people possessing the required skills would obviously demand more compensation for their services. In contrast, it would be sufficient to offer a minimum amount of compensation to employees possessing skills which are abundantly available in the labour market.

A paradoxical situation might also prevail in the labour market. On the one hand, there could be a short supply of skills which are desperately needed by the organizations. On the other hand, there could be an abundant availability of some other skills for which supply in the labour market may far exceed the organizations' demand. Such a paradoxical situation often leads to the pampering of some sections of labour like the technical and managerial people by the organizations and the exploitation of other sections like the low-skilled and unskilled people. In manufacturing organizations, the technical jobs at managerial levels are usually offered more pay as these jobs are often in short supply in the labour market, while the non-technical ones at non-managerial levels are paid lowly because of their excess supply in the labour market.

**Labour Legislations** Labour laws and regulations normally have a specific influence on the wages and salary administration of an organization. Generally, the legislations enacted by the central and state governments regulate the minimum wages and bonus payable to the employees, the workloads and the working hours. Some of the important labour laws guiding organizations' approach towards compensation payment are the Minimum Wages Act 1948, Payment of Wages Act 1936, Payment of Bonus Act 1965, Equal Remuneration Act 1976 and Payment of Gratuity Act 1972. The organizational policies concerning compensation must strictly adhere to all these and other relevant laws and regulations in force. Organizations should also comply with the recommendations of wage boards, tribunals and wage committees.

**Comparative Pay Scales** Organizations should consider the wages paid by similar organizations in the industry for similar jobs. When an organization pays less than the

prevailing wages to its employees, its workforce strength would erode due to the high labour turnover. In contrast, when it pays more than the prevailing wages, it would be able to attract and retain the best talents. Thus, the prevailing wages critically influence the compensation policy of the organizations.

**Cost of Living** At times of rising prices, the cost of living emerges as a major factor in determining the salary levels of the employees. When there is an upward movement in the cost of living, the real wages decline, affecting the purchase power of the employees. Due to the changes in the cost of living, organizations usually keep a portion of the employees' compensation (such as dearness allowance) in a variable form. The dearness allowance is fixed on the basis of the prevailing cost of living and it changes as the cost of living changes. For instance, seven major cities in India, namely, Mumbai, New Delhi, Chennai, Kolkata, Hyderabad, Pune and Bangalore, have seen a remarkable increase in the cost of living in the recent past, and this has pushed up the salary levels of the employees in these cities.<sup>14</sup> Though the dearness allowance is linked to the cost of living, it hardly reduces even when there is a decline in the cost of living, especially in the case of government jobs.

**Collective Bargaining** The strength of the unions is one of the important influencing factors in compensation administration. When the unions in an organization are strong, the wage agreements are usually concluded in favour of the employees. This is because these unions exert strong pressure on the employers, both internally and externally, during wage negotiations. The unions may also ensure that the organizations strictly comply with the laws and regulations enacted by the government from time to time. In the case of non-unionized organizations, the employers enjoy more freedom in determining the wages of the employees and may tend to fix lower wages for them. However, some non-unionized organizations may fix higher wages voluntarily just to thwart the employees' need to have unions in their organizations. Industry-level wage agreements reached through collective bargaining between the employers' federation and the employees' federation also has influence on the pay levels of the member-organizations.

**Technology** The level and sophistication of the technology available in the industry can also influence compensation administration. When the manually performed jobs are easily and effectively replaceable with the existing technology, the organization may not be inclined to offer higher wages for such jobs. When there is a skill deficit in such jobs, the organization might prefer automation rather than paying higher wages to the job holders. However, organizations may have to offer higher wages to the high-tech jobs which usually require multi-skills and technological prowess.

**Geographical Location** The location of the organization is also a major factor influencing compensation administration. When the organization is located in cities or urban areas, it may have to hire employees for higher wages due to the high cost of living prevailing in these areas. In contrast, the organizations located in rural or semi-urban areas may pay less to their employees, taking advantage of the low living cost in these areas.

**Globalization** Globalization has brought in several multinational companies to the country. The compensation policies and philosophies of these globalized companies have begun to influence and shape the HR and wages practices of the Indian companies. As a result, domestic firms are now offering several innovative compensation schemes on a par

with foreign companies to attract and retain the efficient employees. Major organizations are now designing and developing global compensation strategies in a centralized manner to achieve optimum effectiveness in human resource and compensation managements. Thus, globalization also influences the compensation administration of an organization.

### **Internal Factors**

The internal factors influencing the compensation administration are also significant in number. We shall now discuss these factors in detail.

**Capacity of the Organization to Pay** Organizations may have the willingness to pay more compensation to their employees but they may not have the financial ability to do so. Understandably, the financial strength of the organization is one of the highly critical factors that determine compensation administration. For instance, when the organization pays higher wages to its employees, it normally pushes up the cost of production and prices of its products. High wage cost may also impact the turnover and profitability of the organization. In such a situation, small and medium-sized organizations may not be able to afford any hike in employee salary and wages. Ironically, low wage cost may be beneficial to the firm in the short period but it may affect employee satisfaction, performance and motivation in the long term. Low wages might also cause high absenteeism and labour turnover. In a nutshell, the organization must pay wages which are not only justifiable but also within its abilities.

**Corporate Policies and Philosophy** Corporate philosophy, mission and vision statements provide overall directions to the entire organization and this includes its compensation administration. Organizations may deliberately pay the industry's best wages and salary to attract and retain the high-calibre employees. Similarly, the corporate philosophy of an organization may aim at developing competitive advantage through its human resources. In such a situation, the organization may offer high financial incentives to the employees for developing their skills and competencies. Thus, the corporate philosophy and mission statements of the organization influence the compensation administration crucially.

**Human Resource Policies and Strategies** The HR policies of an organization which deal with various aspects of human resource management also influence compensation administration. They usually form the basis for the terms and conditions of the employment. For instance, the promotion policy which stipulates the number, nature and frequency of promotions for different categories of employees in turn influences the compensation policies of the organization. Moreover, the HR policies are revised from time to time, depending upon the developments in the environment of an organization. Such changes in HR policies bring about corresponding changes in the compensation policies of the organization.

**Performance Evaluation Report** Compensation administration is also influenced by performance evaluation results, job evaluation report, job description and job specification statements. The employees' performance assessed through performance evaluation techniques may be used for determining the wage levels of the employees. Similarly, the job evaluation report can be used for fixing compensation for different jobs. The job description, which specifies the job content and context, and the job specification, which spells out the job holders' skills and qualification, are also used for determining compensation.

## Steps in Compensation Administration

The purpose of compensation administration is to compensate the employees satisfactorily and equitably and achieve the organizational goals effectively. Organizations usually develop their own compensation system for determining and computing the compensation schemes of the employees. As mentioned in Figure 11.5, an effective compensation programme involves the following steps: (i) analysis of the job, (ii) evaluation of the job, (iii) developing the pay structure, (iv) survey of wages and salary, (v) pricing of the job, and (vi) compensation revision and control. We shall now discuss these phases involved in compensation administration.

### Analysis of the Job

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

### Evaluation of the Job

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

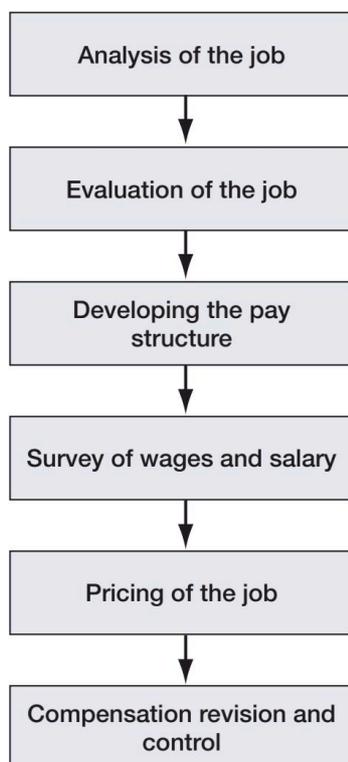


Figure 11.5

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### Steps in Compensation Administration

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

### **Developing the Pay Structure**

The pay structure determines what an individual is paid.<sup>15</sup> Once the internal relationship among the jobs based on their relative worth has been determined, the organization determines the pay structure and pay grades for jobs of similar importance and difficulties. The organization may choose to have either the narrow-graded pay structure or the broad-graded one for compensation administration.

### **Survey of Wages and Salary**

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

### **Pricing of the Job**

Job pricing refers to the determination of wage rates for jobs within the organization on the basis of the job evaluation and salary survey. As part of this process, the internal worth of the job is matched with the external worth to determine the price of the job. While finalizing the compensation for jobs, the guiding principle should be 'pay the job and reward the person'.<sup>16</sup> Paying the job means the payment of the right wages for the job depending upon its worth, while rewarding the person refers to rewarding an individual for his efficiency assessed through performance evaluation.

### **Compensation Revision and Control**

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

Budgeting is an effective technique of controlling the financial expenditures of an organization. It also helps in monitoring, controlling and coordinating the labour cost of the organization. Budgets actually set the standards for the organization in evaluating the financial expenditure-relating employee compensation.

The Compa ratio is a relevant accounting ratio to know the present efficiency of the compensation schemes and helps in achieving the targeted efficiency in salary fixation.

It facilitates the organization in knowing how close the present salary levels are to the targeted ones. This ratio helps the firm identify the mid-points in the existing pay grades, which, in turn, serve as standards for measurement of compensation efficiency. The compa ratio is calculated as follows:

$$\text{Compa ratio} = (\text{average wage rate actually paid})/(\text{mid-point range})$$

The range in this ratio refers to the minimum and maximum wage rates in the pay grade or classification. The mid-point refers to the exact halfway between the minimum and the maximum in a pay grade. The compa ratio is normally one.

When the result of compa ratio is more than one, it means the average salary paid by the organization in the pay grade is above the mid-point. If the target of its compensation programme is to pay the employees at the mid-point in the pay range, it should make efforts to bring down the salary levels. On the other hand, when the result of the compa ratio is less than one, it means the existing salary levels are less than the mid-point in the pay range. In such a situation, the organization may decide to either retain the salary at the same level or raise it to levels closer to the mid-point by effecting pay increases.

## **Challenges in Compensation Administration**

Compensation administration is a highly sensitive and challenging job for the HR department. It ought to fulfil the divergent needs of both the employees and the employers justly and satisfactorily. However, organizations often face numerous challenges in developing effective compensation administration. We shall now discuss the important challenges in compensation administration.

### **Emergence of Innovative Job Designs**

The growth of unconventional employment schemes like flexi hours, e-commuting and part-time jobs have posed new challenges to organizations in developing compensation administration. They find it difficult to develop clear, consistent compensation policies that are fair to both conventional (full-time) and unconventional jobs. For instance, they are not definite about extending the benefits available to full-time employees to other segments of employees like those in telecommuting and others. In the case of the flexi-hour system of employment, the supervisory time and the cost of supervision are exceptionally high. In such a situation, organizations would have to decide who should bear the cost of additional supervisions and other support service cost.<sup>17</sup> All these developments pose challenges to the organizations in developing suitable compensation packages.

### **Relevance of Money as a Prime Motivator**

A growing number of behavioural scientists are questioning the relevance of money as a motivator. According to A. Kohn, the more the money used to motivate people, the more they tend to lose interest in whatever they had to do to get the rewards.<sup>18</sup> Thus, there is a need for the organizations to move beyond money as compensation and focus on other intrinsic factors as possible alternatives for achieving the desired employee performance, satisfaction and cooperation. However, many organizations still view monetary benefits as the only compensation for the employees' job efforts.

### **Lack of Objectivity in the Fixation of Pay Structure**

Many organizations are employing subjective job evaluation techniques like job ranking, job grading and paired comparison for assessing the worth of the job. This may affect the objectivity not only of the job evaluation but also of the compensation administration. This is because job evaluation forms the basis for determining the compensation plans. Consequently, imperfections in the job evaluation may result in underpaying or overpaying of jobs.

### **Political and Legal Challenges**

Changes in the provisions of the existing laws and regulations may require corresponding changes in the compensation plans of the organization. Whenever there are amendments in the laws concerning compensation and other benefits, it becomes imperative for the organization to implement those changes. At times, this may even necessitate a complete revision in the compensation plans. Similarly, the political ideologies and philosophies of the ruling party generally determine the government's attitude at the time of wage negotiations and industry-level collective bargaining. A labour-friendly government may pressurize the employers to concede higher benefits to the employees at the collective bargaining process. Thus, the change of government and policies affects the compensation policies of an organization.

### **Difficulties in Fixing Compensation for Distinct and Critical Skills**

Organizations are now finding it necessary to develop tailor-made compensation packages to reward the unique and critical skills of talented employees. In a highly competitive and globalized environment, it is necessary to have highly flexible and individualized compensation plans to satisfy the reward requirements of highly skilled employees. Organizations are also under increasing pressure to develop competence-related and skill-based pay for encouraging the employees to improve their knowledge, skills and ability on a continuous basis. All these developments make compensation development and administration a much more complex task.

### **Balancing Organizational and Individual Needs**

Organizational compensation plans must balance the needs of the organization and those of the individuals. But, from the compensation perspective, the needs of the employers and those of the employees are mutually exclusive in nature. When the employees' monetary needs are satisfactorily addressed, it would enhance employee motivation, satisfaction and retention but it could also push up the labour cost for the organization. On the other hand, when compensation policies favour the organization, it could improve the profitability of the business and the product performance in the market. However, such a compensation policy would discourage the talented employees from remaining for long in the organization; they might quit the organization and seek better fortunes elsewhere. Thus, the compensation plans must be devised ingeniously to fulfil the needs of both the organization and the individuals.

### **Ethical Issues in Pay Fixation**

Beyond legal compliance in compensation administration, organizations are expected to abide by the ethical probity in decisions involving compensation fixation and administration. There must be a sense of fairness in the actions of the organizations relating to compensation planning and administration. Employers are expected to stick to the standards that show a strong sense of justice and equity and also a consideration for the interest of all

the employees of the organization.<sup>19</sup> However, the unevenness in the demand for and supply of labour in the market often forces the organizations to offer exceptionally high compensations to some employees with much needed skills. In contrast, these firms offer abysmally low compensations for those skills which are abundantly available in the market and thus easily replaceable. Organizations often face ethical dilemmas while fixing compensation for employees on the basis of demand and supply in the labour market.

## Executive Compensation

Executive compensation refers to the compensation package offered to the managerial personnel of an organization. The managers' role and performance are always crucial to the survival and growth of organizations. It is, therefore, essential to offer them satisfactory compensation packages in order to attract and retain the talented executives. However, executive compensation is a matter of intense debate both inside and outside an organization. This is because the managers, especially those at the top levels, play a major role in developing their own compensation packages. Besides, executive compensation often forms a substantial portion of the total labour cost of an organization. Moreover, it is difficult to evaluate the performance efficiency of the managerial people objectively. A typical executive compensation package comprises the base pay, short-term and long-term incentives, and managerial benefits and perks.<sup>20</sup> Unlike wages and salary for workers, a major portion of the executive compensation is often tied to the performance of the company. Typically, an organization considers the extent of duties, responsibilities and risks involved in managerial positions for determining the executive pay packages.<sup>21</sup> Box 11.3 outlines the system of executive remuneration fixation in Indian companies.

### Box 11.3

#### Executive Remuneration Packages the Modus Operandi at the Reliance–Anil Dhirubhai Ambani Group

In the recent past, Indian companies have seen remarkable changes in the remuneration payable to its executives who make critical decisions on their behalf. Since 1991, there has been a manifold increase in the compensation payable to the executives of Indian companies. Generally, these managers get their remuneration in the form of the base salary, short-term incentives (STI) and the long-term incentives (LTI). The base salary is often decided by the performance of both the individual executive and the company. Similarly, the short-term incentives are related with market practices and the performance of the company and the individual during a specific year. Normally, the seniority and experience of the executives are seldom considered in deciding the short-term incentives. Finally, the long-term incentives are influenced by the future potential of the executives to the organization, besides their contribution to its overall growth of the firm. Though organizations can have their own system for determining the executive compensation packages, some of the companies have an excellent mechanism for

evolving the executive compensation packages. The case of the Reliance–Anil Dhirubhai Ambani Group (ADAG) is worth mentioning.

The Reliance–ADAG has constituted a Remuneration Committee, which periodically assesses the efficacy of the overall compensation structure and policies of the organization. After careful assessment, this committee presents its suggestions to the management. The future remuneration payable to the executives is formulated on the basis of this committee's recommendations. The committee enjoys complete autonomy and faces no managerial interference. Indeed, the chairman of this committee is an independent director while the members are non-executive directors, of which most are independent directors. The committee also has the authority to seek professional advice on related matters, from within as well as outside the company.

*Adapted from:* <http://www.relianceadagroup.com/adportal/ADA/aboutus/corporate.html>.

## Objectives of Executive Compensation Packages

The driving force behind the development of executive compensation package is the organizational objectives and the human resource requirements of the business. It is essential for an organization to ensure that the compensation packages develop necessary ownership interest for the managers in the organization and also make them more responsible for their decisions. We shall now discuss all the objectives of executive compensation.

**Aligning the Managerial Interest with the Ownership Interest** Except the base salary, which is a fixed remuneration, the remaining components of the executive pay packages are usually variable in nature. Normally, these variable components of compensation are dependent on the organizational performance. The purpose of correlating a substantial portion of pay with the performance is to create a personal interest for the managers in the affairs of the company and to encourage them to be more sensitive to the needs of the organization.

**Bringing in the Best Executives** With an increased competition for talented executives in the labour market, the executive compensation plans play an important role in attracting the best talents to the company. They also help an organization retain its prized executives for a long term and protect them from possible poaching by the rival companies or by professional head-hunters.

**Enhancing Employee Motivation, Involvement and Commitment** The decisions of the managers can make or mar the future of an organization. Their responsibility for effective management of the business is greater than the responsibility of the non-managerial employees. Thus, there must be in-built elements in the executive compensation packages to motivate the executives on a sustained basis.

**Promoting Managerial Efficiency** Some of the components of an executive compensation package like managerial commission are meant directly for improving the competency and commitment of the managers. In fact, the net profit computed in financial accounts is an important indicator of the managerial efficiency. That is why managerial commissions are usually based on the net profit available to the business.

**Ensuring Complete Financial Security** Since managerial decisions carry considerable risk not only to the organization but also to the individual managers, it is important to offer financial security to the managers. Executive compensation must provide the necessary incentive and financial protection to the managers to encourage them to take reasonable risk in the decisions.

**Encouraging Progressive Learning** Executive compensation must aim at encouraging the managers to develop their skills and competencies on a continuous basis. The managers need to be up to date in their knowledge and skills in order to identify, understand and act on the challenges posed by the changes in the environment.

## Elements of Executive Compensation

The major deficiency of modern-day companies is the separation of ownership and control.<sup>22</sup> In the company form of organizations, the ownership lies with the shareholders and the

control with the managers. As such, there is no incentive available for the managers to own complete responsibilities for the decisions made on behalf of the organization. To overcome such a lacuna, executive compensation plans are used creatively by the organizations to develop ownership interest for the managers in the organization. Organizations usually offer employee stock options, profit-sharing and gain-sharing schemes for linking ownership with administration and control. We shall now see these components in detail.

**Basic Salary** The basic salary is the key component in the compensation packages offered to the executives. Since executive compensation emphasizes more on performance-based pay and incentives, salary is usually not the major portion of these pay packages. However, the basic salary often forms the basis for computing other components. For instance, the bonus and other variable compensations like the dearness allowance are usually expressed as a percentage of only the basic pay. Similarly, pension plans and other retirement benefits are also decided only on the basis of basic salary. Prior to deciding the base salary, organizations usually undertake job evaluation exercises for assessing the internal worth of the managerial jobs. However, the base salary of top managers is largely determined through extensive salary surveys. The size of the company is also a major influencing factor in determining the salary of the managers.

**Annual Bonus Plans** Typically, a profit-making organization offers bonus schemes to its managers as part of the compensation package. The bonus is considered as a short-term performance-linked incentive scheme. It is computed and paid on the basis of the performance of a single year. Under a usual bonus plan, an organization may pay bonus to managers when they achieve the performance standards. They may not get any bonus till they achieve those specified performance standards.

Bonus schemes can be classified on the basis of performance measures, performance standards and pay-performance relationship structure.<sup>23</sup> Organizations may use one or more performance measures for determining bonus. However, accounting profits (like EBIT, revenue growth and operating income) invariably form an important financial measure. Organizations may also use non-financial performances like goal accomplishments by the managers as the basis for determining bonus plans.<sup>24</sup> For the purpose of bonus computation, an organization may use various forms of performance standards like budget standards, past-year performance standards, discretionary standards (subjective standards set by the management), peer-group standards (based on performance of similar companies), and timeless standards (fixed performance standards).<sup>25</sup>

**Stock Option Plan** It is a unique compensation plan in which the managerial personnel get the right to buy the stocks (mostly equity shares) of their company in the future at a price which may be equal or less than the price prevailing at the time of purchase. The stock option is normally a non-tradable long-term incentive available to the managers. However, the option to buy stock would normally lapse when the executive leaves the organization for any reasons.

As discussed earlier, the stock option is an effective executive compensation scheme available to the organization to create ownership interest for the managerial personnel. The purpose of the stock option is to encourage the managers to accept increased responsibility for their decisions involving the future of the organization. The stock option is an effective motivational instrument for managers if there is a continuous increase in share prices. In contrast, it may not be as effective when there is a declining trend in the share prices.

The main advantage of this compensation scheme is that there is no direct or immediate cash outflow for the company when the manager exercises this stock option. It is also effective in ensuring the retention of efficient managers on a long-term basis.

**Additional Long-Term Incentive Plans (LTIP)** In addition to stock option schemes, an organization may also employ other long-term reward schemes for enhancing the performance, involvement and commitment of the executives. The aim of LTIP is to enhance the performance–pay relationship considerably. Normally, organizations impose specific performance conditions on the managers for getting long-term incentives. LTIP can be computed on the basis of the cumulative performance of managers on a multi-year cycle (typically an average of three to five years). Performance unit or share is one of the popular forms of the long-term incentive plan. As per this incentive scheme, a manager would be entitled to get specific cash or shares as the reward in the event of completing the performance targets successfully. Though long-term incentives are generally tied to the overall organizational performance, they may also be linked to group performance within the organization.<sup>26</sup>

Box 11.4 outlines the role of LTIP in enhancing employee performance.

**Managerial Commission** Commission pay is emerging as one of the important components of executive compensation packages. It is an annual performance–based incentive scheme. The commission payable to managerial people is viewed as an important technique in achieving the required level of motivation, involvement, and efficiency among managers. The primary purpose of managerial commission is to encourage the managers to keep the expenses under control and improve sales income. The commission payable to managers is normally computed in two ways. These are: commission payable on profit before charging such a commission, and commission payable on profits after charging such a commission. The ratios for these managerial commissions are:

#### Box 11.4

#### Long-Term Incentive Plan at the ING Vysya Life Insurance Company

Generally, an organization views its executive compensation as a decisive factor in achieving the desired level of executive retention. Attracting and retaining the most-talented executives for a long term is also central to ensuring stability in the mission, vision, philosophy and direction of the business. Companies always view long-term incentive plans as an effective tool in achieving the twin purpose of creating ownership interest among executives so as to take better responsibility for their decisions and improving their executive retention rate.

Regarding long-term incentive plans (LTIP), ING Vysya Life Insurance Company is a case in point. It is a part of the ING Group, one of the largest financial services providers in the world. The ING group has a top-level Remuneration and Nomination Committee for designing short-term and long-term

incentives for the top senior managers. It pays short-term performance related bonus to its employees as part of STIP. The target short-term incentive plan pay-out is usually 100 per cent of the base salary. But the actual bonus amount depends upon the attainment of group financial targets and specific individual qualitative and quantitative objectives for each senior manager. The company also offers stock option and performance shares as part of the long-term incentive plan for these managers. LTIP is also determined as 100 per cent of the base salary for the senior manager. However, the final grant would depend upon the group's short-term incentive plan performance.

*Adapted from:* [http://www.ing.com/xpedio/annualreport2007/governance/remuneration\\_report/remuneration\\_exec\\_board\\_2007.html](http://www.ing.com/xpedio/annualreport2007/governance/remuneration_report/remuneration_exec_board_2007.html).

Commission payable on net profits before charging such a commission  
 = Net profit  $\times$  Rate of commission/100

and

Commission on net profits after charging such a commission  
 = Net profit  $\times$  Rate of commission/(100 + Rate of commission)

Regarding managerial commission, the Companies Act 1956 states as follows: "Subject to the provisions of Section 198 and Section 309, a company having profits in a financial year may pay any remuneration, by way of salary, dearness allowance, perquisites, commission and other allowances, which shall not exceed five per cent of its net profits for one such managerial person, and if there is more than one such managerial person, ten per cent for all of them together."<sup>27</sup>

**Executive Perks** It is a unique kind of benefit payable to the top managers as recognition for their contribution to the growth of the organization. An important prerequisite for deciding executive perks is determining the job worth of the executives. Usually, executive perks are allowed to a select group of key executives. Normally, executive perks involve, among others, luxurious residential apartments, company cars, special parking space at office, private dining rooms, membership in country clubs, sponsored vacation trips, interest-free loans, insurance schemes and annual health examination. In addition to providing perquisites to individual executives, organizations may also extend some of these facilities to their family members, for example, reimbursement of children's educational expenses and spouse travel. Some organizations use executive perks to let the executives stay connected to the office. For this, they provide laptops, cell phones and computers to its executives.

### Criticisms of Executive Compensation

Executive compensation packages are surrounded by many controversies. Most of them revolve around the mode and quantum of payment to the senior managers. In fact, several countries, including India, have enacted specific legislations to limit the compensation payable to the top managers of the companies. We shall now discuss the merits and demerits of executive compensation from different perspectives.

**Complaints of Over-payments** A common complaint is that of the top managers getting a pay excessive for their performance and disproportionate to the duties and responsibilities associated with the job. That companies are usually more generous in rewarding the managers than their workers is another charge against executive compensation. Critics complain that the executive compensations grow much faster than the non-executive compensations available for ordinary workers.<sup>28</sup>

However, there are several factors which support the cause of executives and justify the payment of higher compensation to them. These are:

- The nature of executive jobs is such that the managers often undertake risk by taking decisions relating to an uncertain and unknown future. Their decision may affect the future not only of the organization but that of themselves in the organization. Thus, they are justified in their demand for adequate reward for the risk involved in the managerial job.
- Compensating the highly qualified and skilled managerial people obviously requires payment of hefty compensation to these employees. When the organizations fail to respond positively and adequately to the demands of competent people, they may lose

to their rivals in the competition for the services of capable executives in the labour market.

- As regards executive retention, companies often face the prospect of their highly competent managers being lured and eventually poached by the competitors. They usually prevent such a situation by offering attractive short- and long-term incentives.

These factors necessitate the development of the best executive compensation packages to attract and retain the talented executives.

**Undue Influence on Compensation Determination** Another criticism levelled against executive compensation is the role of top managers in the process of determining their own compensation packages. Usually, a compensation committee is nominated by the board of directors to develop compensation packages for the managers. Some critics believe that these compensation committees are unduly influenced by the top managers in the process of fixation of executive perks. This criticism is not true in majority of the cases since many compensation committees tie a large portion of the executive compensation to the organizational and individual performance goals.

**Disregard for the Financial Health of the Organization** One more complaint against executive compensation is that there is a disregard for the financial health of the organization while determining the incentives, bonus and perks for the managers. Critics argue that the top managers must get generous rewards only when the company has done well. Now, as mentioned earlier, most of the executive compensation elements are connected only to the organizational performance. It is thus apparent that the top managers would be eligible for attractive rewards only when the company succeeds.

**Secrecy Shrouding Executive Compensation** Since many organizations reward their managers mainly through executive perks and other not-so-visible schemes, critics complain that there is no transparency in the development and execution of executive compensation packages. They claim that many benefits and perks in compensation are hidden benefits and, therefore, need to be valued appropriately. In reality, specific provisions are available in existing laws like the Companies Act of 1956, to regulate the managerial remuneration payable to the employees.

**Inequality of Incomes in the Organization** From a macro-level economic perspective, executive compensation packages are often criticized as ignoring the share of workers in the wealth and prosperity of an organization. Critics point out that this often leads to the uneven and unjust distribution of income within the organization. However, organizations normally provide due share in the organization's profit to the workers by declaring a certain percentage of profits as annual bonuses to employees.

**Exorbitant Exit Fees** The Golden Parachute Scheme is a unique executive compensation plan in which a top executive is eligible for a severance pay in the event of his present company being taken over by some other company as part of a merger plan. Severance pay may also be paid to managers when their services are terminated for other reasons. Critics, however, complain that the top managers often get exorbitant exit fees for leaving the organization. They also complain that the top managers often block important merger-and-acquisition proposals in order to extract huge exit fees from the company. However, the severance pay normally forms part of retirement benefits, which are to be duly approved by the competent authorities.

## Summary

1. Compensation is the sum of rewards for the job-related efforts of the employees and for their commitment and involvement in the job.
2. The objectives of compensation administration are (i) equity in compensation, (ii) enhancing individual and organizational efficiency, (iii) employee motivation and retention, (iv) goodwill in the labour market, (v) adherence to laws and regulations, (vi) controlling HR cost, and (vii) improving industrial relations.
3. Compensation can be classified as direct and indirect compensation. The elements of direct compensation are basic and variable pay, which includes profit-sharing, gain-sharing and equity plans. Compensation can also be classified as monetary and non-monetary.
4. The types of theories of compensation are equity theory, expectancy theory, contingency theory and agency theory.
5. The basic concepts in wages are real wages, minimum wages, fair wages and living wages.
6. The kinds of pay structures are narrow-graded pay structure, broad-graded structure, job family structure and career family structure.
7. The essentials of a sound pay structure are aligning with the business objectives and needs, internal equity, external equity, rewarding the desired performance and behaviour, legal compliance, and reconciling individual and organizational interest.
8. The external factors influencing compensation are (i) labour market conditions, (ii) labour legislation, (iii) comparative pay scales, (iv) the cost of living, (v) the geographical location, (vi) collective bargaining, (vii) technology and (viii) globalization.
9. The internal factors influencing compensation are (i) the capacity of the organization to pay, (ii) the corporate policies and philosophy, (iii) human resource policies and strategies, and (iv) performance evaluation.
10. The steps in compensation administration are (i) analysis of the job, (ii) evaluation of the job, (iii) developing the pay structure, (iv) survey of wages and salary, (v) pricing of jobs, and (vi) compensation revision and control.
11. The challenges facing compensation administration are: emergence of innovative job designs, relevance of money as a prime motivator, lack of objectivity in the fixation of pay structure, political and legal challenges in compensation administration, difficulties in fixing compensation for distinct and critical skills, balancing organizational and individual needs, and ethical issues in pay fixation.
12. Executive compensation refers to the compensation package offered to the managerial personnel of an organization.
13. The objectives of executive compensation packages are: aligning managerial interest with ownership interest, bringing in the best executives, enhancing employee motivation, involvement and commitment, promoting managerial efficiency, ensuring complete financial security, and encouraging progressive learning.
14. The elements of executive compensation are the base salary, annual bonus plans, stock option plan, long-term incentive plan (LTIP), managerial commissions, and executive perks.
15. The criticisms against executive compensation are: complaints of overpayment, undue influence on compensation determination, a disregard for the financial health of the organization, secrecy shrouding executive compensation, inequality of incomes in the organization, and Golden Parachute Schemes.

## Review Questions

### Essay-type questions

1. Discuss in detail the different types of compensations using relevant examples.
2. Evaluate the relevance and utility of various theories on compensation.

3. Enumerate the various kinds of pay structure with suitable examples.
4. Examine critically the factors influencing the wages and salary administration using examples.
5. Describe the different steps in a compensation administration process in detail.
6. Evaluate the challenges facing the compensation programmes in Indian companies.
7. Explain the meaning, objectives and problems of executive administration schemes.
8. Describe the various components of executive compensation packages in detail.
9. What are the various criticisms made against executive compensation plans? State how far these criticisms are true.
10. Enumerate the role of human resource managers in the development and administration of compensation programmes.
11. "Compensation must fulfil the intrinsic and extrinsic needs of the employees." Discuss.
12. "Compensation programmes must be fair to both the employers and the employees." Justify.

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# Incentives and Benefits

## CHAPTER OBJECTIVES

*After reading this chapter, you should be able to:*

- 1 Understand the significance of incentive programmes
- 2 Understand the wage incentive planning process
- 3 List the prerequisites for good incentive schemes
- 4 Enumerate the different types of incentives
- 5 Evaluate wage incentive schemes
- 6 List the objectives of fringe benefits
- 7 List the forms of benefits

The Raymond Group is an India-based textile major operating at the global level. It is one of the largest integrated manufacturers of worsted fabric in the world and contributes to almost 60 per cent of the worsted suiting market in India. The HR objectives of Raymond get reflected in its vision which aims to make “Raymond the most desired workplace for the top talent.”

As far as the fringe benefits are concerned, the company provides educational, housing, recreational and spiritual support systems to its people. The specific fringe benefits available in the company include employee staff quarters, guest houses, Raymond products at concession rates, company bus, and the Singhania School project, which ensures that the employees’ children have the facility to enrol themselves in the schools run by the J. K. Trust at 50 per cent of the fees. In many cases, the children’s education is provided absolutely free. Besides, the company contributes promptly to statutory fringe benefits like Provident Fund and

Employees’ State Insurance. It also periodically conducts several fun-filled events to let the employees connect with one another on a regular basis.

For senior managers, the company organizes events like the annual “Raymond Interchange,” an ongoing initiative that harnesses the collective views on business strategy, and the CEO Forum, which is conducted six times a year. It adopts the 360-degree feedback system that provides senior managers with valuable inputs through evaluations from their colleagues, subordinates and customers. The feedback system also facilitates the management in arriving at decisions concerning wage incentives and career plans for individual employees by understanding their real potential, interests and goals.

The success of the Raymond Group proves the important role of wage incentives and fringe benefits in contributing to an organization. Given this context, we shall discuss incentives and benefits from different perspectives in this chapter.

## Introduction

*Hard work pays* is the simple philosophy behind wage-incentive programmes. Employees usually get wage incentives in addition to their base salary in the organization. Wage incentives enable an organization to present challenges and rewards alike to its workforce in order to make the employees enjoy their jobs more. The primary purpose of providing wage incentives is to enhance the organizational performance and employee productivity. Understandably, incentives constitute an important HR tool to achieve the desired performance goals within a reasonable cost. Performance-based incentive programmes enable an organization to keep its employees satisfied without producing any permanent rise in pay and/or benefits. Thus, wage incentive schemes help an organization establish a formal relationship between individual performance and remuneration. Wage incentives also motivate the employees to work harder in their jobs in order to get recognition in monetary and non-monetary terms.

However, when the rewards offered as a part of the incentive programme do not fulfil the exact needs of the employees, they cannot be considered as an incentive at all. The incentive programmes should be such that they should get and keep employees motivated by fulfilling their exact needs. Generally, incentives are provided to employees when their actual performance meets the performance standards set by the organization. Although organizations predominantly offer monetary rewards as a part of performance-related incentives, they may also offer non-monetary rewards to their employees. Finally, an important prerequisite for any effective incentive scheme is the presence of an objective performance evaluation procedure.

Terms like wage incentives, variable pay, pay for performance, incentive plans and contingent pay are used in organizations interchangeably.<sup>1</sup> Rewarding employees for reaching the predetermined performance levels is the essence of the definitions of incentives. Box 12.1 lists a few of these definitions.

We may define wage incentives as any form of performance-based financial and/or non-financial rewards payable to attract and retain the best talents without any permanent financial commitment for the organization.

## Objectives of Wage Incentives

The primary objective of wage incentive schemes is to attract and retain efficient employees and induce them to work harder in the job. Through these schemes, organizations usually look to achieve the twin aims of getting the best out of their employees and ensuring

### Box 12.1

Wage incentives are defined as “variable rewards granted according to variations in the achievement of specific results.”<sup>2</sup>

—Milton L. Rock

“Wage incentive (contingent pay) refers to payment related to individual performance, contribution, competence or skill or team or organizational performance.”<sup>3</sup>

—Michael Armstrong

“Wage incentive may be defined as the stimulation of efforts and effectiveness by offering monetary inducements or enhanced facilities.”<sup>4</sup>

—P. C. Tulsian

“Wage incentives are designed to stimulate human effort by rewarding the person, over and above the time-rated remuneration, for improvements in the present or targeted results.”<sup>5</sup>

—National Commission on Labour

adequate rewards for employee efforts.<sup>6</sup> We shall now discuss the other important objectives of wage incentive schemes.

### **Developing an Ownership Interest**

Wage incentive schemes aim at creating a personal interest among the employees in organizational affairs so that this would, in turn, improve the sense of responsibility of these employees.

### **Enhancing Employee Motivation**

Organizations look at wage incentives as a viable option to increase and then sustain employee motivation through monetary and non-monetary rewards.

### **Improving Employee Retention**

Wage incentives aim at controlling the labour turnover arising out of employee dissatisfaction due to the absence of merit recognition and poor pay. Thus, incentive programmes aim at enhancing the employee retention rate.

### **Facilitating a Greater Role for Employees in Pay Determination**

Wage incentive schemes enable the employees to determine their own income by linking their pay with their actual performance. By varying their performance levels, they can earn the required incomes.

### **Increasing the Performance and Productivity**

By establishing a link between the pay and the performance, organizations aim at increasing organizational performance and employee productivity to the desired levels.

### **Reducing the Labour Cost**

Through productivity-linked incentive schemes, organizations seek to avoid a permanent raise in the pay levels of the employees. This is in contrast to the basic pay and other fixed employee benefits, which permanently commit the organization to a fixed labour cost, irrespective of its performance and profitability.

### **Reducing the Time and Cost of Supervision**

Wage incentive schemes aim at reducing the supervisory cost and time by enhancing the sense of responsibility of the employees through linking their performance with pay.

## **The Wage Incentive Planning Process**

Though each organization can have its own style of incentive plans to serve the needs of its employees, the incentive planning process illustrated in Figure 12.1 can be adopted by any organization with necessary modifications. We shall now see the steps in an incentive planning process.

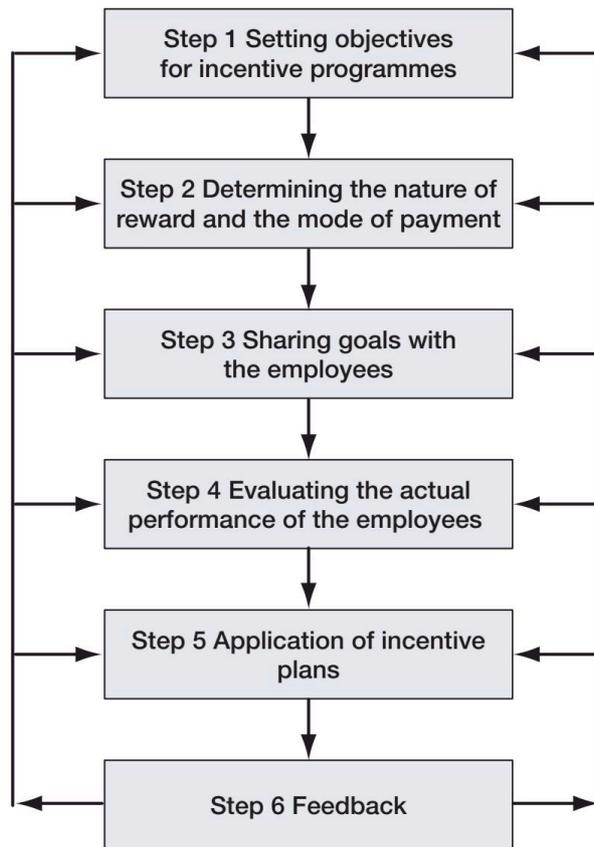


Figure 12.1

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**The Wage Incentive Planning Process**

### Setting the Objectives

The first step in the process of installing an incentive plan is the determination of goals for such incentive plans. Organizational objectives usually provide the basis for determining the goals of the incentive programmes. An organization must decide the specific goals it wants to accomplish through the incentive schemes and how its employees can contribute to those goals. It is only when the employees believe that the performance goals are attainable that they would put in the additional efforts required to accomplish them.<sup>7</sup> Depending upon the requirements, an organization may set individual or group goals as part of the incentive programmes. However, an organization should revise these goals periodically to ensure that there is a continuous improvement in the performance of the employees.

### Determining the Nature of Reward and the Mode of Payment

Having formulated the goals to be accomplished through incentive plans, the next step is the determination of the type of incentives and the mode of its payment. An organization should first determine the total compensation payable to the employees for reaching specific performance goals. It should also choose between individual and group incentive plans to achieve the proposed incentive goals. Besides, it should decide between monetary and non-monetary rewards for compensating its employees. It should also weigh up the merits and demerits of different incentive plans before choosing an ideal plan for goal accomplishment.

## Sharing the Goals with the Employees

In the next step, the organization should effectively communicate the objectives and nature of the incentive plans to all its employees so that they can understand their role and reward in the incentive plans clearly. All the features of the incentive plans should be explained to them and all their queries clarified. The organization should ensure that the employees believe that the rewards offered to them are worth the efforts put in by them in the job.

## Evaluating the Actual Performance

At the end of a specified period, the organization must evaluate the employees' performance to decide whether they attained the performance standards and also the amount of incentives payable to each one of them. However, organizations do not evaluate the employees' performances only to determine the wage incentives. Usually, the performance evaluation system keeps incentive fixation as one of its several objectives. Depending upon the requirements, the organization may choose from the evaluation methods like rating scales, ranking method, paired comparison, forced distribution, forced choice, critical incident, essay method, checklist, field review and confidential report (CR) to evaluate the employees' performance.

## Application of Incentive Plans

Once the performance of employees has been evaluated, the next stage is the application of appropriate incentive plans to determine the performance rating and pays of the employees. Typically, the employees at this stage get to know what their reward will be. In fact, the process of an incentive scheme begins with goal setting and ends with reward decisions. Organizations should ensure that the employees' performances are adequately rewarded and the incentive objectives accomplished.

## Feedback

Sometimes, the employees may not be satisfied with the incentive plans, the performance evaluation process or the mode of payment of incentives. In such a situation, the incentive schemes may not only fail to motivate the employees but also dissatisfy them, causing increased labour turnover and absenteeism. To avoid such a situation, it is necessary for the organization to receive periodic feedback from the employees in order to know their views on the incentive schemes. An organization may undertake attitude surveys among the employees to decide the fairness and efficacy of the incentive programmes from their perspectives. Besides, it should have a proper procedure to permit the employees to appeal against the incentive pay in case they have any grievance. Box 12.2 outlines the various incentive practices prevalent in organizations.

## Prerequisites for a Good Incentive Scheme

Only an effective incentive scheme can have a desired impact on the productivity and efficiency of the employees. The installation of a good incentive scheme requires meticulous planning and honest execution. Before installing an incentive scheme in an organization, it is necessary to conduct a survey to ensure that the environment is appropriate for its introduction. The organization should also make certain that the incentive schemes proposed to be introduced fulfil the following conditions: