# Impact of Human Psychology on Industrial Management

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# PREFACE

It is really a matter of great pleasure to bring out the present first edition of Industrial Psychology is that branch of psychology which delves into the study of human behaviour in Industrial Organizations. Psychological factors interview in industry as an individual has to work as a member of a team or a group. Industrial Psychology seeks to analyze and determinate the human factor which prevent hinder work from being done efficiently.

Broadly speaking, Industrial Psychology is the study of human behaviour and concerned with the discovery of information relating to human behaviour. It is concerned with the application of information about human behaviour to the various problem of industrial life. In other word it is the study of human relations, work environment and job satisfaction of the workers who have become confused and upset. That means Industrial Psychology is the study of principle and practices that affect the behaviour of human beings in the industrial setting. I am also concerned with the physical aspects of works environment such as lighting and temperature and their effect on the output and safety of the workers.

The present book an attempt to present various aspects of Industrial Psychology as set out in the syllabus prescribed for Industrial Psychology.

It is hoped that the book would be found really helpful by the students of technical and professional courses.

I shall look for comments and suggestion from the concerned teachers and students for the further improvement of this books.

# ACKNOWLEDGMENT

I am deeply indebted to my grandfather and my parents Smt. Puspa Srivastava and father Dr. Narendra Kumar Srivastava for their active cooperation and sacrifices during the entire period of the study.

I would also like to thank to my beloved wife Mrs. Ankita Srivastava, I thank them a lot from the core of my heart. Also thank who have directly or indirectly helped or supported me in my work.

I have great pleasure to express my sincere thanks to Dr Mamta Srivastava chairperson (C G C, Lucknow) and Dr. Chitranjan Gaur (Director General S I I T, Gorakhpur) for their keen interest and effort to write this book. I am also thankful to Dr Anshul Mishra (Associate Professor B B R U, Lucknow) and Dr. P K Mathur (B N C E T Lucknow) for his moral support and encouragement.

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# CONTENTS

CHAPTER :- 1

## INDUSTRIAL PSYCHOLOGY



CHAPTER :- 2

## JOB ANALYSIS

CHAPTER :- 3

## RECRUITMENT AND SELECTION



CHAPTER :- 4

## GUIDANCE



CHAPTER :- 5

## TRAINING

CHAPTER :- 6

## LEADERSHIP

---



CHAPTER :- 7

## MONOTONY, FATIGUE AND BOREDOM

---

CHAPTER :- 10

# INCENTIVE

---



CHAPTER :- 11

# PAYMENT

---



CHAPTER :- 12

# REWARD

---

CHAPTER :- 13

## PUNISHMENT

---



CHAPTER :- 14

## COMMITMENT

CHAPTER :- 15

# PERFORMANCE APPRAISAL

---

# CHAPTER 1.

## INTRODUCTION OF INDUSTRIAL PSYCHOLOGY

# CHAPTER 1

# INTRODUCTION OF INDUSTRIAL PSYCHOLOGY

## CHAPTER CONTENTS



## INTRODUCTION

In India psychology, Industrial psychology is the third or fourth most popular branch. It attempts to understand the human problems that are arisen as a consequence of dramatic development of industry in the last few decades.

The main focus of Industrial Psychology is evaluating, improving, and predicting job performance whereas the main focus of Organizational Psychology is how organizations impact and interact with individuals. People are the essential ingredients in all organizations.

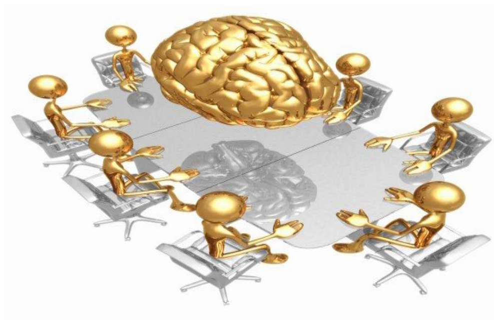
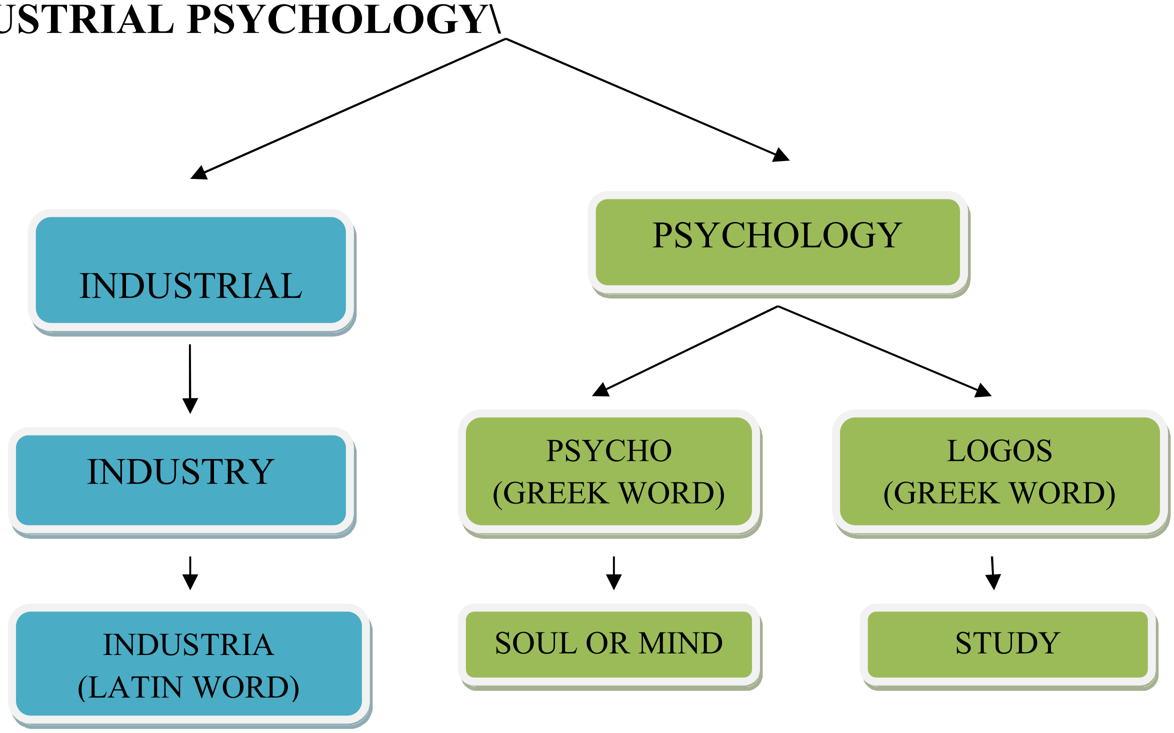


**Fig: 1.1**

Among the all important branches of applied psychology Industrial psychology is one of the main branch which is related with the efficient management of an industrial manpower. It also associated with the challenges that occur in a mechanical environment.

The time has gone while employees are taken into account as machine and employers always think about more work unthinkingly of workers. At present, management recognizes that for getting more production employee's satisfaction is the key factor and people are the essential ingredients in organization. There is also certain factor which impact on employee as for example wages. If employers offer proper distribution of work, better working conditions, satisfactory compensation, suitable leader then definitely company or organization archives its goal. Industrial psychology explains that kind of condition in an organization.

## INDUSTRIAL PSYCHOLOGY\



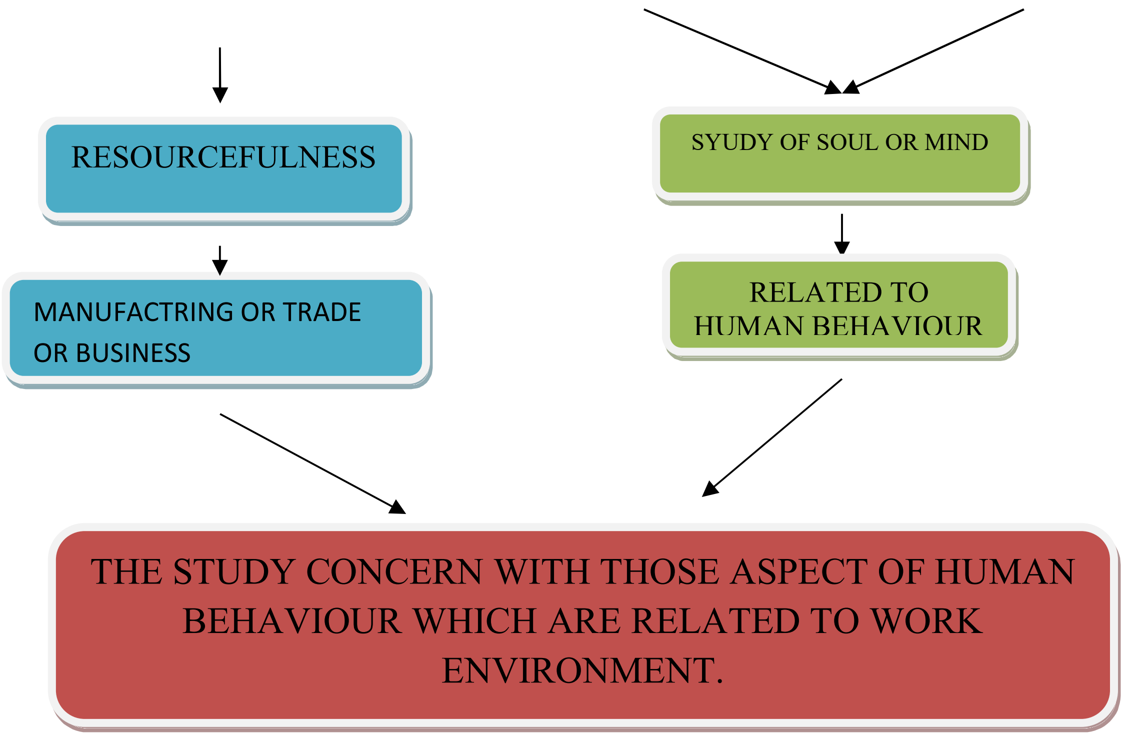



**Fig: 1.2**

## INDUSTRY

Systematic and planned manufacturing of anything is called industry. In other words we can say that industry relates to the production of any economic goods either service or a material within an economy.

The technically productive or manufacturing enterprises in a specific field like Country, region, or economy for gather the views or belonging to individually. A single industry is oftentimes named after its principal product. A particular **industry** consists of all the people and activities engaged in forming a specific product or delivering a particular service.

A group of businesses or manufacturers that produce a specific kind of goods or services is called industry. For example Employee in the textile industry design, fabricate, and sell cloth. The tourist industry involves all the commercial aspects of tourism.

You can use industry to relate to a group of particular businesses: as the automobile industry manufactures cars and car parts. The preparation of food and delivery of food to hotels, schools, and other big facilities is done by the food service industry. Industry comes from the **Latin word industria**, which means "diligence, hard work," and the word is always been used with that meaning.

## PSYCHOLOGY

The scientific study of anything which is related to human mind and the functions of mind especially those functions which affect the behaviour in a given context. The word *psychology* comes from the **Greek word *psycho* and *logos*** which literally means study of the soul or the study of the mind. Today many authors would define psychology as a mental process as well as scientific study of behavior.

**According to Medilexicon's medical dictionary,** psychology is "The profession, scholarly discipline, and science concerned with the behavior of humans and animals, and related mental and physiologic processes."

Psychology is defined as follows. Some peoples defined psychology as an art. On the other hand some people have defined psychology as a science and many text books says psychology as the science of mind as well as behavior. Psychology involves the study of human nature and behavior. different perspectives come from different conceptions.

In the word of Eric Pettifor psychology is "an art which presents itself as science".

According to H. D. Hamm psychology is the "scientific study of the behavior of humans and animals".

## INDUSTRIAL PSYCHOLOGY

Industrial psychology consist two word industrial and psychology. We recognize the word industrial which simply patent to activity related to manufacturing or trade or business. The word psychology indicates signs of the functions, nature and phenomena of the mind or mental activities of the human being or in simple word psychology of human behavior.

"**The study concern with those aspects of human behavior which are related to work environment is recognizen as Industrial psychology**"

The branch of applied psychology that is participating in efficient management of an industrial labor force and especially with the problems which is encountered by workers in this mechanical environment is called Industrial psychology. it integrates the principles of psychology with organizing the various work settings. commonly made reference to as industrial organizational psychology, this discipline analyzes numerous aspects of the working world and the attitudes of individuals toward their respective careers.

Here are some definitions of industrial psychology.

**C.S.George-"**industrial psychology is concerned with the entire spectrum of human behavior.**"**

**Smith-"**for the practical purpose industrial psychology might be defined as the study of those who exchange the work of their hands and brains for the means to live.**"**

**Ernest J. McCormick- "**Industrial psychology is the study of human behavior in the work related aspects of life and the application of recognizeledge of human behavior to the minimization of human problems in this context.**"**

**Guion-"**The scientific study of the relationship between man and the world at work: the study of the adjustment people make to the places they go, the people they satisfy, and the things they do in the process of making a living.**"**

**Blum and Naylor-"**The application or extension of psychological principles to the concerning human beings within the context of business and industry.**"**

**T.W.Harrell-"**Industrial psychology is the study of people at work in industry and in business.**"**

**C.S. Myres-"**The aim of industrial psychology is primarily not to obtain greater production or output but to give the worker greater ease at his work.**"**

## SCOPE OF INDUSTRIAL PSYCHOLOGY

The scope of Industrial psychology can be categorized into three essential group and their sub groups are as follows:

1. Personal psychology
2. Organizational psychology
3. Human Engineering

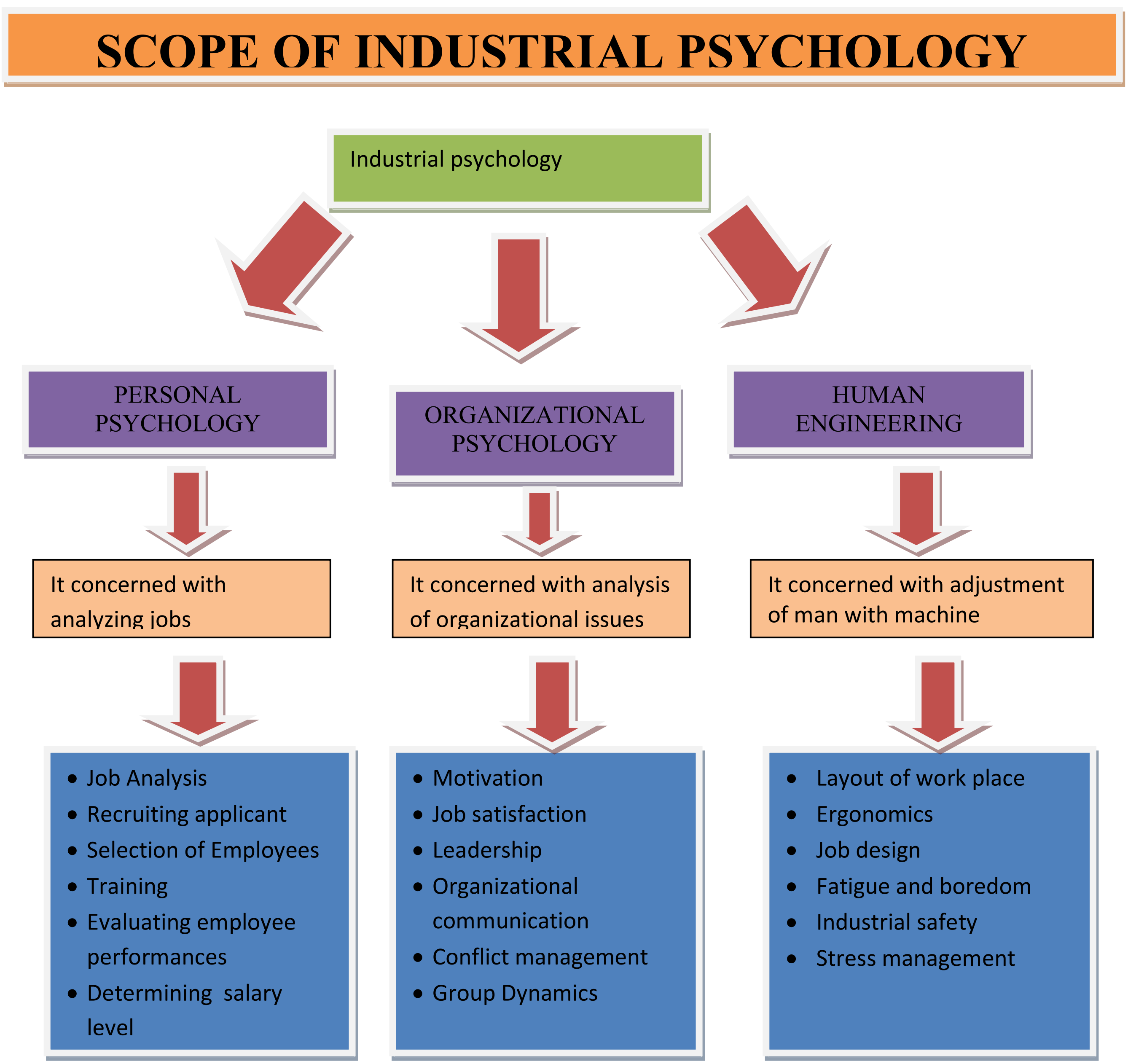



**Fig. 1.3**

**1. Personal Psychology**: the recruitment, selection and evaluation of **personnel** and other job aspects like job satisfaction, morale, and relationships between the managers and workers in workplace are basically deal by the personal psychology. It is concerned with analyzing jobs.

- **Job Analysis:** A process through which we collect job related information so that these information helping for the preparation of job description (job title, summary of job, activities in job, working condition etc) and job specification (qualification, physique and mental health, physical and other job related attributes, abilities, maturity and dependability ).
- **Recruiting applicant:** it is a process of finding and makes attempt to attract job candidates who are capable for felling job vacancies effectively.
- **Selection of employee:** It's a process of identifying that which job candidate is best suitable for the organizational need.
- **Training:** it is the process of increasing the recognizeledge as well as skills of employee in improving performance. The major outcome of training is learning how to perform a job in most effective manner.
- **Evaluating employee performances:** it is also recognizen based onformance appraisal. It is a act of obtaining, analyzing and recording information regarding the comparative value of an employee. Performance appraisal is the act of estimating an individual's and group's work behavior as well as outcome against all odds of the job.
- **Determining salary level:** The mainfactor which influencing an individual's is the rate of pay form of work performed. You just created a new position, but how much do you pay someone to do a job that does not exist? If you set the salary too low, you drive away qualified applicants. If the wages are too high, you sacrifice a chunk of your budget that could be put to better use.

**2. Organizational psychology-** It is concerned with analysis of organizational issues.

- **Motivation:** the motivation is derived from the motive which means an idea, need, emotion or organic stage which prompts a man to do an action. Motivation is a process of stimulating peoples to do an action for accomplishing the desired goal. Industrial psychology investigations into human behavior at work to identify the condition in which a worker feels motivated and work willingly.

- **Job satisfaction:** Job satisfaction is overall positive effect feeling. It emulates an employee's complete assessment of their job, particularly their emotions, behavior and attitudes about their work experience.
- **Leadership:** leadership is a sociable influence practiced in a situation and directed with communication process towards the attainment of the specialized goal. A process of influence wherein one person can sign up the aid and get support of others in the completion of a common task. It is a act of influencing others to agree on a shared purpose, and to work towards shared objectives.
- **Organizational communication:** In organizational communication focus on the interpersonal relationships and interactions between people in organizations. It explores how the people in a business interact with each other to accomplish strategic goals. It refers to the ways that businesses manage and distribute information. Managers in large companies often use distant communication methods to inspire and inform subordinates they may never satisfy face-to-face. Business communication can differ based on various factors, including organizational culture, group size and dynamics as well as the sender's intention.

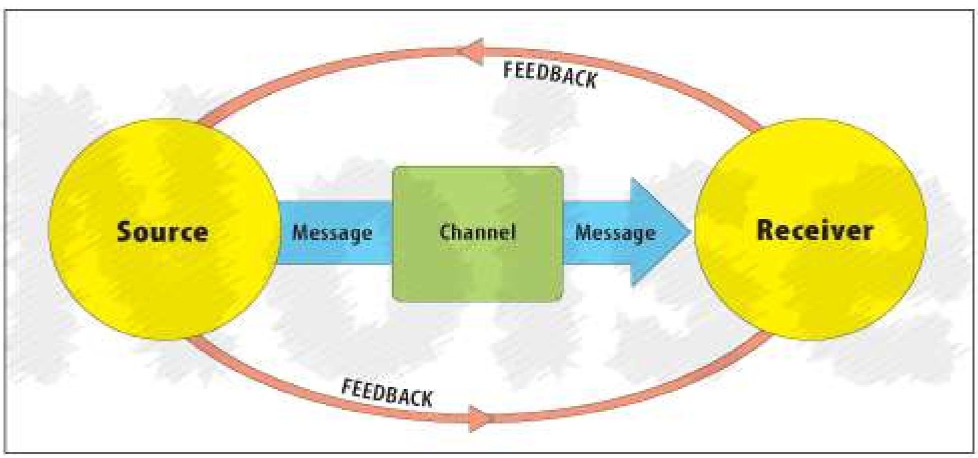



**Fig. 1.4**

- **Conflict management:** It is determined as struggle on the other hand contests between people through opposing needs, ideas, beliefs, value, or goals. Conflict management involves securing skills related to conflict communication skills, self awareness about conflict modes, conflict resolution as well as establishing a structure for management of conflict in particular environment. Learning how to manage conflicts can reduce the likelihood of non-productive intensification.

- **Group Dynamics:** the group dynamic is a system of getting people for work together effectively in any company or institution. The idea at the back of this is that a group of people working together can achieve much higher than if the individuals of the team working on their own.

**3. Human Engineering:** It is an applied science that coordinates the design of devices, system and physical working condition with the capacities and requirements of the worker. It concerned with adjustment of man with machine. Basically it is the study of people in their working environment in order to maximize safety or efficiency.

- **Layout of work place:** One of the best ways to avoid workplace strains and sprains is to design a workspace that reduces injury risk factors. A safe design approach should be considered as part of designing the layout and configuration of a workplace. Creating high-performance work spaces or manufacturing cells involves much more than moving machines and people closer together. Well-designed workplaces eliminate waste and help to optimize material, people, and information flow. The work flows in alignment with value streams rather than according to functional teams or departments.
- **Ergonomics:** An applied science concerned with designing and arranging things people use so that the people and things interact most efficiently and safely. Ergonomics (from the Greek word ergon meaning work, and nomoi meaning natural laws), is the science of refining the design of products to optimize them for human use. Human features, such as height, weight, and proportions are considered, as well as information about human hearing, sight, temperature preferences, and so on. Ergonomics is sometimes recognizen as human factors engineering.
- **Job design:** It aims at outlining and organizing tasks, duties and responsibilities into a single unit of work for the achievement of certain objectives. It also outlines the methods and relationships that are essential for the success of a certain job. In simpler terms it refers to the what, how much, how many and the order of the tasks for a job/s. Job design essentially involves integrating job responsibilities or content and certain qualifications that are required to perform the same. It outlines the job responsibilities very clearly and also helps in attracting the right candidates to the right job.
- **Fatigue and boredom:** Fatigue is commonly used to denote a decrease in the capacity or efficiency of a person to do the work because of previous work. It affects the worker's

muscles, nerves and mind. Boredom is a mental state resulting from the continuous performance of a repetitive and uninteresting activity.

- **Industrial safety:** employers are responsible for providing a safe and healthful workplace for their employees. Industrial safety has direct related to employees productivity. Safety measures prevent accidents and ensure regular flow of work.
- **Stress management:** Stress Management refers to the broad spectrum of techniques and psychotherapies aimed at controlling a person's levels of stress, especially chronic stress, usually for the purpose of improving everyday functioning. Stress is what you feel when you have to handle more than you are used to. When you are stressed, your body responds as though you are in danger. It makes hormones that speed up your heart, make you breathe faster, and give you a burst of energy. This is called the fight-or-flight stress response.


**Fig.1.5**

## FUNCTIONS OF INDUSTRIAL PSYCHOLOGY

Industrial Psychology analyzes numerous aspects of the working world and the attitudes of individuals toward their respective careers. Industrial Psychology concerns the application of psychological concepts to the work environment. Industrial Psychology professionals often perform consulting work for companies. Some functions and goals of Industrial Psychology are as listed:

1) Increase worker productivity:
2) Design safe work environments:
3) Train new employees:
4) Help organize the company's management structure:

**Industrial Psychology and Worker Productivity - Increase worker productivity:**

One of the main goals of Industrial Psychology is to improve worker productivity. Industrial psychologists research workplaces to find ways to increase worker satisfaction and boost productivity. Industrial psychologists design and implement workplace procedures in order to improve employee efficiency. They also consult with employees to find practical ways to improve working conditions in the hope that content employees will be more productive.

**2) Industrial Psychology and Workplace Safety - Design safe work environments:** Another function of Industrial Psychology is to design safe workplaces. Industrial psychologists study the company's operating procedures, equipment used and types of work performed to determine ways to make employees safer. Professionals in Industrial Psychology can recommend new equipment such as ergonomic chairs or updated machinery if needed.

**3) industrial Psychology Principles for New Employee Training and Orientation - Train new employees:**

Industrial psychologists are often in charge of creating orientation and training programs for new employees. They apply concepts of Industrial Psychology to create programs that teach new workers about a company's operating procedures and business philosophies in ways that make employees feel welcome and valued.

**4) Industrial Psychology and Management Structure Organization - Help organize the company's management structure:**

Those who work in Industrial Psychology often participate in organizing a company's management structure. Industrial psychologists can direct companies to reduce unnecessary redundancy and increase accountability. They can create organizational structures that clearly define the job duties and responsibilities for each position.

## ACTIVITIES OF INDUSTRIAL PSYCHOLOGY

The practice of industrial-organizational psychology is, quite simply, the study of how people work, where people work, and how the workplaces function. Most people will spend about one-third of their lives working in an office, factory or other location, and so a large portion of the day, as well as their productive lives, is dedicated to these pursuits. By studying industrial-organizational psychology, companies can produce more pleasant workplaces for their employees, hire and retain more talented individuals, and minimize sick time and other problems within the corporate environment.

**Understand Why People Seek Jobs**

One function of industrial-organizational psychology is to study the reasons why people seek the jobs that they do, and what can be done to help make their work environment more stimulating. I/O psychology also seeks to minimize "presenteeism," which is when employees show up for work and do the minimum required to get through their day. By studying how to motivate employees, I/O psychology allows companies to offer incentives for work, which make their employees not only enjoy their work, but look forward to coming to work each day.

**Attract Good Employees**

A second important function of industrial-organizational psychology is to attract hard-working, motivated individuals through the hiring process. There is an art to crafting the right help-wanted advertisement, to creating a process that will excite potential employees and make them want to work for you, and to create a workplace that will facilitate and promote retention of these employees. The hard work involved in hiring someone is all for naught if that person quits six months later because the workplace is undesirable.

**Create Testing Rubrics**

A third important function of industrial-organizational psychology is to create testing rubrics for all functions of the workplace. Whether it is the in-depth psychological and moral testing that employees may take before getting an interview at a retail chain store, or the testing done by factories to see how quickly employees can recognize and decode number chains and other information in a production setting, industrial-organizational psychology is the reasoning behind these tests, and the people employed to create them do so to make sure that all employees are capable of doing the work required in that job setting.

## LIMITATIONS OF INDUSTRIAL PSYCHOLOGY

The major problems or limitation faced in industrial psychology are as follow.

- **Resistance to change:** In Industrial Psychology employee and the employers are often resistant to change their attitudes. Human beings have general tendency to resist changes of any type. Employee resistance to industrial psychology came from the fact that they think these changes are threats to their habits and attitudes. Employers are also in opposition of changes because often they are not sure about the energy of the new ideas and they do not want to take risks.

- **Communication:** communication and communication channel are also a big problem in Industrial psychology because language should match the understanding level of employees as well as employers.

## UNIQUE ASPECTS OF INDUSTRIAL PSYCHOLOGY

Industrial Psychology has a lot of unique aspects in the field of organization and workplaces to achieve the organizational goals. Some of them are given below:

- **Increase Productivity**: Industrial psychology can increase the output of workers by increasing the positive thinking of employees.
- **Job Analysis**: With the help of industrial psychology a psychologist can be able to evaluate, redesign jobs and determine the levels of compensations.
- **Adjustment with Environment**: By using psychological recognizeledge, many companies are able to retain their employees because they understand how to keep them happy and ensure a better work environment.
- **Increase Motivation, Job Satisfaction and moral**: Industrial psychology can be used to reduce counter-productive behavior, enhance team effectiveness, motivate employees and prevent dissatisfaction and immoral happenings.
- **Remove Psychological problems**: There might be problems in many organizations that decrease the employees' creativity. The application of industrial psychology can give a better solution in this purpose.
- **Increase human relations**: Good relationships must be built up among individuals and within the groups of an organization because it can ensure the achievement of goals timely and effectively.
- **Increase efficiency**: By eliminating the causes of productivity loss, absenteeism and worker accidents and ensuring mental health through psychological practice the

efficiency and productivity of workers of a company and the quality of goods and services can be increased.

- **Reduce Absenteeism**: The application of psychology helps managers the selection and placement of employees and to give proper training and development of employees that can reduce the absenteeism of employees.
- **Remove Frustration**: Industrial psychology can reduce the frustration of employees by proving proper motivation and promotion of employees.
- **Create qualified Leadership**: It can create qualified leadership by improving mental health and creating good factors of personality.

## METHODS

The massive growth and expansion of industry is the maindevelopment enabling man to extend his control over nature.There have been rapid developments in the invention of changes in production processes and in the discovery of psychological factors that contribute to effective production. Industrial progress has resulted due to the advancement of the technical processes which have reduced the costs of production.

With the rapid development of industry, the importance of the role played by the worker emerged highlighting the necessity of studying the human problems of production and applying scientific principles and methods to find their solutions.

Facts are the backbone of scientific method. All judgments and evaluations predicted by any Scientist are based on facts. Scientific method emphasizes objective observation in a highly systematic manner by investigating comprehensively. Scientific method gives a lot of importance to setting an experimental control while studying any factor. Quantitative description by measurement is another essential feature of scientific method.

**Scientific Method:**

In the scientific method, the subject matter of a bounded sphere is studied systematically as in, by the following steps:

- **Observation:** This involves careful and detailed observation of the subject matter by using accurate and reliable apparatus.

- **Recording:** In this step, all the observed facts are carefully and systematically recorded.
- **Classification:** In this step, all the recorded information is classified and organized in such a logical and coherent manner that a pattern or relationship 'becomes apparent in the observed facts. According to Karl Pearson, "The classification of facts, the recognition of their sequence and relative significance is the function of science."
- **Generalization:** In this step, general laws are derived on the basis of patterns observed in the organized subject matter. Laws derived in such a manner are recognizen as 'scientific laws.'
- **Verification:** The scientific method concludes with the verification of the truth of the derived law so that it becomes a universal law. Only after validity, a universal law can be called a 'scientific law'. Industrial Psychology uses the scientific method as it makes maximum use of the experimental method. All the subject matter is first placed in predetermined conditions and then studied.

An industrial psychologist observes carefully and then records all the observed facts. After logical classification of these facts, the universal laws are derived by generalization. The Principles of industrial Psychology are made up with these very universal laws.

As the principles of industrial Psychology are valid, they are used in Industries in order to discover the causal relations underlying human relations, development etc. and thereby make predictions about it. The predictions made by industrial psychologists by using the scientific method, are taken into account by the industrialists for solving industrial disputes and other industrial problems.

## REVIEW QUESTION

1. What do you understand by industry?
2. What do you understand by Psychology?
3. Draw Industrial Psychology flow diagram.
4. What is personal psychology?
5. What is the scope of Industrial Psychology?
6. Define industrial psychology. What are the activities done in Industrial psychology?
7. What do you mean by methods of industrial psychology?
8. Discuss the unique aspects of Industrial psychology.
9. Describe the functions of industrial psychology.
10. Discuss the limitation of Industrial psychology.

# CHAPTER 2.

## JOB ANALYSIS

# CHAPTER 2

# JOB ANALYSIS

## CHAPTER CONTENTS



## INTRODUCTION

Job analysis contains a simple term called "analysis", which means detailed study or examination of something like job in order to understand more about it. So that job analysis all about to understand more about a specific job in order to enhance it. Job analysis is a systematic process of collecting complete information appertaining to a job. Job analysis is done by officer have been trained for job analyst.

Job analysis is gives step by step instructions for determine the duties and responsibilities, nature of the jobs and determine the qualifications, skills and recognizeledge to be required for an employee to perform particular job. Job analysis helps to understand what tasks are important for the work and how they are carried it in a particular job. Job analysis forms basis for later HR activities such as selection of employees, developing effective training program ,setting up of performance standards and assessment of employees ( performance appraisal)and employee remuneration system or compensation plan.

The process of job analysis involves deep investigation for the purpose of control the output, so that gets the job performed successfully. The procedure helps to find out what is the particular department requires and what are the prospective worker needs to deliver. It additionally help to determine particulars about a job including job title, job location, job summary, duties involved, working conditions, possible hazards and machines, tools, equipments and materials to be used by the existing or potential employee.

On the other hand, the process is not bounded to determination of these factors only. It also extends to finding out the necessary human qualifications to perform the job. These involve establishing the levels of education, experience, judgment, training, initiative, leadership skills, physical skills, communication skills, responsibility, accountability, emotional features and unusual sensory demands. These factors change according to the type, seniority level, industry and risk involved in a particular job.

## JOB ANALYSIS

Job analysis is the process of collecting job related information such information help in the preparation of job description and job specification. It is a detail and systematic study of job to recognize the nature and features of people to be employed.

Some essential definitions of job-analysis are as follow:

**Harry L. Wylie.** "Job analysis deals with the anatomy of the job. This is the complete study of the job embodying every known and determinable factor, including the duties and responsibilities involved in its performance; the conditions under which performance is carried on; the nature of the task; the qualifications required in the worker; and the conditions of employment such as pay, hours, opportunities and privileges"

In the words of **Dale Yoder.** "A Job is a collection of duties, tasks and responsibilities which are assigned to an individual and which is different from other assignment"

According to **Michael J. Jucius,** "Job analysis refers to the process of studying the operations, duties and organizational aspects of jobs in order to derive specification or, as they are called by some job description"

**According to Blum,** "A job analysis is an accurate study of the various components of a job. It is concerned not only with an analysis of the duties and conditions of work, but also with the individual qualifications of the worker."

According to **John A Shubin** "Job analysis is the methodical compilation and study of work data in order to define and characterize each occupation in such a manner as to distinguish it from all others."

In the words of **Scott, Clothier and Spriegel,** "Job analysis is the process of critically evaluating the operations, duties and relationship of the job."

In the words of **Edwin B. Flippo,** "Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job"

Thus job analysis is the process through which job, duties and responsibilities are defined and information or barrier crackers relating to determine the working condition, nature of work, qualities of person to be employed in job positions of job etc.

## OBJECTIVES OF JOB ANALYSIS

- **Work simplification: -** Job analysis gives the information related to job as well as this data can be used to make process or job simple. Work simplification means dividing the job into small parts as in different operations in a product line or process which can improve the production or job performance.
- **Setting up of standards: -**Standard means minimum acceptable qualities or results or performance or rewards regarding a particular job. Job analysis gives the information about the job and standard of each can be established using this information

- **Support to personnel activities:-** Job analysis gives support to various personnel activities like recruitment, selection, training and development, wage administration, performance appraisal etc.

## PURPOSE OF JOB ANALYSIS

Job Analysis plays an important role in recruitment and selection, job evaluation, job designing, deciding compensation and benefits packages, performance appraisal, analyzing training as well as development needs, assessing the worth of a job and increasing personnel as well as organizational productivity.

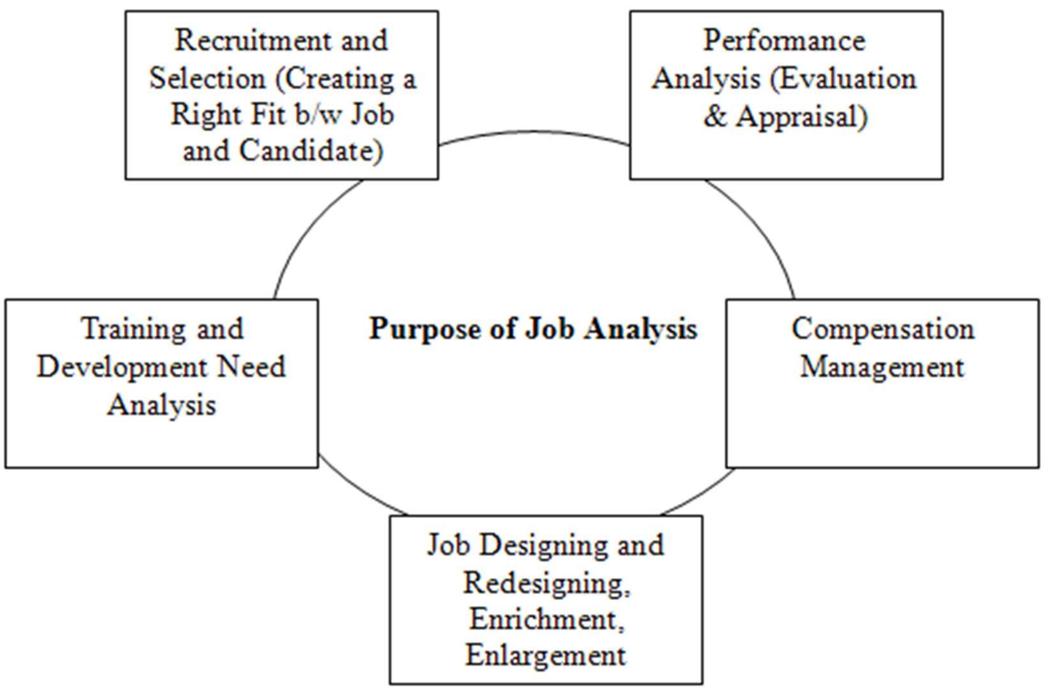



**Fig.2.1**

- **Recruitment and Selection:** Job Analysis helps in determining what kind of person is required to perform a particular job. It points out the educational qualifications, level of experience and technical, physical, emotional and personal skills required to carry out a job in desired fashion. The objective is to fit a right person at a right place.

- **Performance Analysis:** Job analysis is done to check if goals and objectives of a particular job are met or not. It helps in deciding the performance standards, evaluation criteria and individual's output. On this basis, the overall performance of an employee is measured and he or she is appraised accordingly.
- **Training and Development:** Job Analysis can be used to assess the training and development needs of employees. The difference between the expected and actual output identifies the level of training that need to be imparted to employees. It also helps in deciding the training content, tools and equipments to be used to conduct training and methods of training.
- **Compensation Management:** Of course, job analysis plays a vital role in deciding the pay packages and extra perks and benefits and fixed and variable incentives of employees. Be that as it may, the pay package depends on the position, job title and duties and responsibilities involved in a job. The process guides HR managers in deciding the worth of an employee for a particular job opening.
- **Job Designing and Redesigning:** The main purpose of job analysis is to streamline the human efforts and get the best possible output. It helps in designing, redesigning, enriching, evaluating and also cutting back and adding the extra responsibilities in a particular job. This is done to enhance the employee satisfaction while increasing the human output.
- Therefore, job analysis is one of the mainfunctions of an HR manager or department. This helps in fitting the right kind of talent at the right place and at the right time.

## PROCESS OF JOB ANALYSIS

An effective and right process of analyzing a particular job is a great relief for them. It helps them maintain the right quality of employees, measure their performance on realistic standards, assess their training and development needs and increase their productivity. Let's discuss the job analysis process and find out how it serves the purpose.

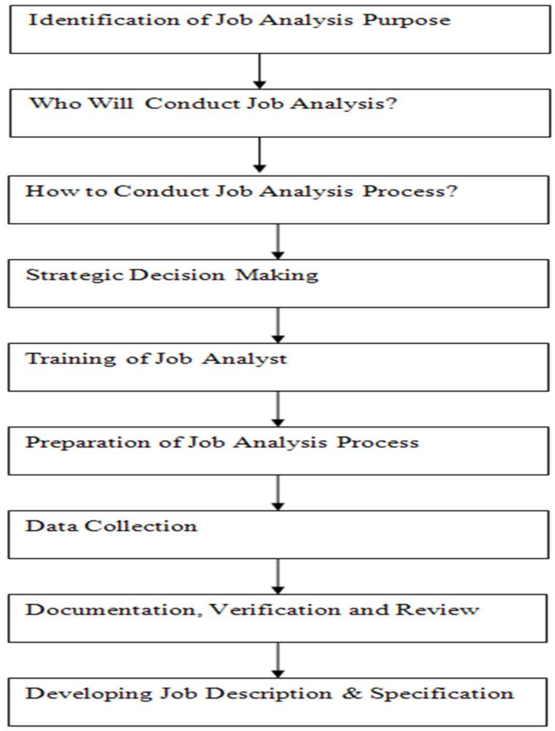



**Fig.2.2**

- **Identification of Job Analysis Purpose:** Well any process is futile until its purpose is not identified and defined. Therefore, the first step in the process is to determine its need and desired output. Spending human efforts, energy as well as money is useless until HR managers don't recognize why data is to be collected and what is to be done with it.
- **Who Will Conduct Job Analysis:** The second mainstep in the process of job analysis is to decide who will conduct it. Some companies prefer getting it done by their own HR department while some hire job analysis consultants. Job analysis consultants may prove to be extremely helpful as they offer unbiased advice, guidelines and methods. They don't have any personal likes and dislikes when it comes to analyze a job.
- **How to Conduct the Process:** Deciding the way in which job analysis process needs to be conducted is surely the next step. A planned approach about how to carry the whole process is required in order to investigate a specific job.
- **Strategic Decision Making:** Now is the time to make strategic decision. It's about deciding the extent of employee involvement in the process, the level of details to be

collected and recorded, sources from where data is to be collected, data collection methods, the processing of information and segregation of collected data.

- **Training of Job Analyst:** Next is to train the job analyst about how to conduct the process and use the selected methods for collection and recoding of job data.
- **Preparation of Job Analysis Process:** Communicating it within the organization is the next step. HR managers need to communicate the whole thing properly so that employees offer their full support to the job analyst. The stage also involves preparation of documents, questionnaires, interviews and feedback forms.
- **Data Collection:** Next is to collect job-related data including educational qualifications of employees, skills and abilities required to perform the job, working conditions, job activities, reporting hierarchy, required human traits, job activities, duties and responsibilities involved and employee behavior.
- **Documentation, Verification and Review:** Proper documentation is done to verify the authenticity of collected data and then review it. This is the final information that is used to describe a specific job.
- **Developing Job Description and Job Specification:** Now is the time to segregate the collected data in to useful information. Job Description describes the roles, activities, duties and responsibilities of the job while job specification is a statement of educational qualification, experience, personal traits and skills required to perform the job.

Thus, the process of job analysis helps in identifying the worth of specific job, utilizing the human talent in the best possible manner, eliminating unneeded jobs and setting realistic performance measurement standards.

## JOB DESCRIPTION AND JOB SPECIFICATION

Job Analysis is a primary tool to collect job-related data. The process results in collecting and recording two data sets including job description and job specification. Any job vacancy can not be filled until and unless HR manager has these two sets of data. It is necessary to define them accurately in order to fit the right person at the right place and at the right time. This helps both employer and employee understand what exactly needs to be delivered and how.

Both job description and job specification are essential parts of job analysis information. Writing them clearly and accurately helps organization and workers cope with many challenges while onboard.

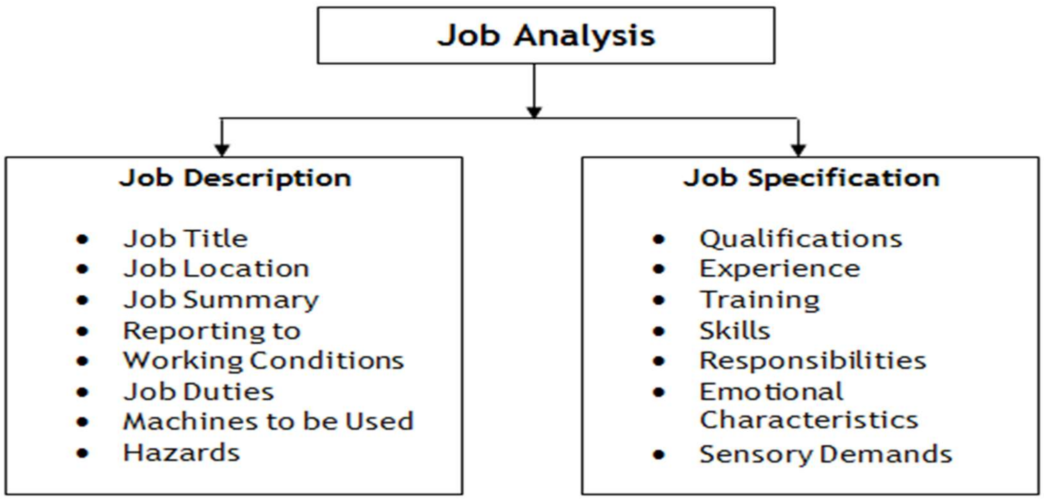



**Fig.2.3**

Though preparing job description and job specification are not legal requirements yet play a vital role in getting the desired outcome. These data sets help in determining the necessity, worth and scope of a specific job.

Job description and job specification are two integral parts of job analysis. They define a job fully and guide both employer and employee on how to go about the whole process of recruitment and selection. Both data sets are extremely relevant for creating a right fit between job and talent, evaluate performance and analyze training needs and measuring the worth of a particular job.

## JOB DESCRIPTION

It is a written statement of what the job hold, how it is to be done under what condition it is done and why it is done. It throws light on job contact, environment and conditions of employment. It defines purpose and scope of a job.

**"A job description is an organized factual statement of the duties and responsibilities of a specific job."**

Job description involves basic job-related data that is useful to advertise a specific job and attract a pool of talent. It involves information such as job title, job location, reporting to and of employees, job summary, nature and objectives of a job, tasks and duties to be performed, working conditions, machines, tools and equipments to be used by a prospective worker and hazards involved in it.

## Purpose of Job Description

- The main purpose of job description is to collect job-related data in order to advertise for a particular job. It helps in attracting, targeting, recruiting and selecting the right candidate for the right job.
- It is done to determine what needs to be delivered in a particular job. It clarifies what employees are supposed to do if selected for that particular job opening.
- It gives recruiting staff a clear view what kind of candidate is required by a particular department or division to perform a specific task or job.
- It also clarifies who will report to whom.

# JOB SPECIFICATION

Also recognize as employee specifications, a job specification is a written statement of educational qualifications, specific qualities, level of experience, physical, emotional, technical and communication skills required to perform a job, responsibilities involved in a job and other unusual sensory demands. It also involves general health, mental health, intelligence, aptitude, memory, judgment, leadership skills, emotional ability, adaptability, flexibility, values and ethics, manners and creativity, etc.

## Purpose of Job Specification

- Described on the basis of job description, job specification helps candidates analyze whether are eligible to apply for a particular job vacancy or not.
- It helps recruiting team of an organization understand what level of qualifications, qualities and set of features should be present in a candidate to make him or her eligible for the job opening.

- Job Specification gives detailed information about any job including job responsibilities, desired technical and physical skills, conversational ability and much more.
- It helps in selecting the most appropriate candidate for a particular job.

## METHODS OF JOB ANALYSIS

Though there are several methods of collecting job analysis information yet choosing the one or a combination of more than one method depends upon the needs and requirements of organization and the objectives of the job analysis process. Typically, all the methods focus on collecting the basic job-related information but when used in combination may bring out the hidden or overlooked information and prove to be great tools for creating a perfect job-candidate fit.

Selecting an appropriate job analysis method depends on the structure of the organization, hierarchical levels, nature of job and responsibilities and duties involved in it. So, before executing any method, all advantages and disadvantages should be analyzed because the data collected through this process serves a great deal and helps organizations cope with current market trends, organizational changes, high attrition rate and many other day-to-day problems.

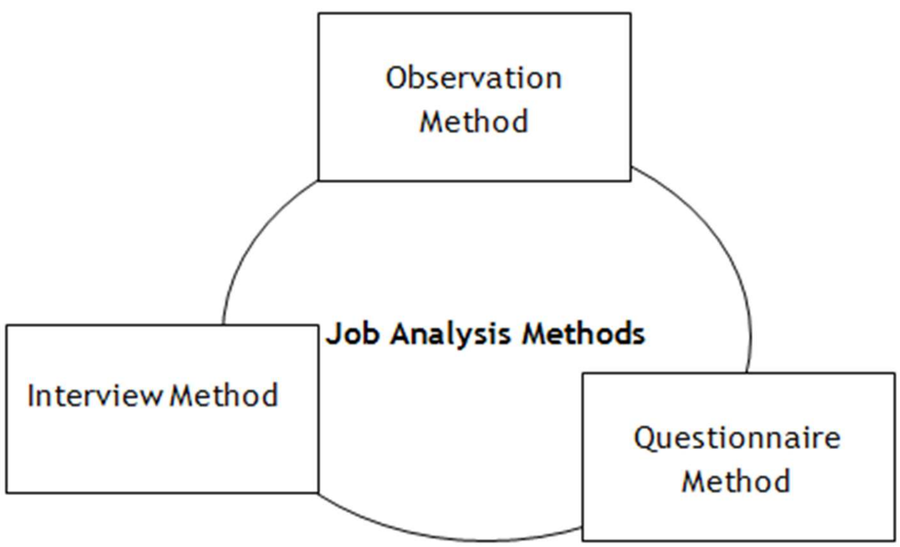



**Fig.2.4**

Most Common Methods of Job Analysis

- **Observation Method:** A job analyst observes an employee and records all his performed and non-performed task, fulfilled and un-fulfilled responsibilities and duties, methods, ways and skills used by him or her to perform various duties and his or her mental or emotional ability to handle challenges and risks. On the other hand, it seems one of the easiest methods to analyze a specific job but truth is that it is the most difficult one. Why? Let's Discover.

  It is due to the fact that every person has his own way of observing things. Different people think different and interpret the findings in different ways. Therefore, the process may involve personal biasness or likes and dislikes and may not produce genuine results. This error can be avoided by proper training of job analyst or whoever will be conducting the job analysis process.

  This particular method involves three techniques: direct observation, Work Methods Analysis and Critical Incident Technique. The first method involves direct observation and recording of behavior of an employee in different situations. The second involves the study of time and motion and is specially used for assembly-line or factory workers. The third one is about identifying the work behaviors that result in performance.

- **Interview Method:** In this method, an employee is interviewed so that he or she comes up with their own working styles, problems faced by them, use of particular skills and techniques while performing their job and insecurities and fears about their careers.

  This method helps interviewer recognize what exactly an employee thinks about his or her own job and responsibilities involved in it. It involves analysis of job by employee himself. In order to generate honest and true feedback or collect genuine data, questions asked during the interview should be carefully decided. And to avoid errors, it is always good to interview more than one individual to get a pool of responses. Then it can be generalized and used for the whole group.

- **Questionnaire Method:** Another commonly used job analysis method is getting the questionnaires filled from employees, their superiors and managers. On the other hand, this method also suffers from personal biasness. A great care should be takes while framing questions for different grades of employees.

  In order to get the true job-related info, management should effectively communicate it to the staff that data collected will be used for their own good. It is very important to ensure them that it won't be used against them in anyway. If it is not done properly, it will be a sheer wastage of time, money and human resources.

These are some of the most common methods of job analysis. On the other hand, there are several other specialized methods including task inventory, job element method, competency profiling, technical conference, threshold traits analysis system and a combination of these methods. While choosing a method, HR managers need to consider time, cost and human efforts involved in conducting the process.

## BENEFITS OF JOB ANALYSIS

- **Organizational structure and design: -** Job analysis helps in preparing the organization chart and the organizational structure. Classification of the jobs relation of each job with one another and various positions and hierarchy of the positions is determined.
- **Man power planning**:- Job analysis gives the qualitative aspect of the jobs in the organization. It identifies the demands of job in terms of duties to be performed, qualification of person skills required in the employee. It is a tool which is used for matching job with men.
- **Recruitment and selection: -** Job analysis helps to hire future human resource. It helps to recruit and select the right kind of people for the jobs available in the organization. It gives information necessary to select the right person by its immediate products as in job description and job specification.
- **Performance appraisal and training/development: -** Based on the job requirements identification of the training needs of the persons can be done easily. Training is given in those areas which will help to improve the performance on the job. Training programme can be designed according to the need and can be made effective.
- **Job evaluation: -** Job evaluation refers to studying in detail the job performance by all individual. The difficulty levels, skills required and on that basis the salary is fixed. Information regarding qualities required, skilled levels, difficulty levels are obtained from job analysis and worth (price) of the job is determined.
- **Promotions and transfer**: - When we give a promotion to an employee we need to promote him on the basis of the skill and talent required for the future job. Similarly

when we transfer an employee to another branch the job must be very similar to what he has done before. To take these decisions we collect information from job analysis.

- **Career path planning / Employee counseling:** - Many companies have not taken up career planning for their employees. This is done to prevent the employee from leaving the company. Employees are informed about the limitations of jobs in terms of development and are guided to take required steps for their future development. Job analysis gives such information regarding the areas in which a person requires modification for better career options.
- **Health and safety:** - Job analysis gives the risk factor related to particular job and thus action required for the safety of the employees can be taken. Unsafe operations can be eliminated or can be replaced by safe one or the safety equipments can be installed.
- **Performance Appraisal**: - By comparing actual performance of the employees to the standard established organization can decide the personnel activities like promotion increments incentives or corrective actions to enhance job performance. These standards are established using information gived by job analysis.

## REVIEW QUESTION

1. Introduce Job Analysis. Also explain the Objectives of job analysis.
2. Explain the process of Job analysis.
3. What do you understand by job description and job specification?
4. What are the methods of job analysis? Also explain in brief Benefits of Job Analysis.

# CHAPTER 3.

## RECRUITMENT AND SELECTION

# CHAPTER 3

# RECRUITMENT AND SELECTION

## CHAPTER CONTENTS



## INTRODUCTION

Recruitment and Selection is an important operation in HRM, designed to maximize employee strength in order to satisfy the employer's strategic goals and objectives. In short, Recruitment and Selection is the process of sourcing, screening, short listing and selecting the right candidates for the filling the required vacant positions.

In this chapter we look at the first stage of managing people – attracting and selecting staff. Recruitment and selection are usually considered as one process. On the other hand, we will make the distinction here between the initial actions and considerations when planning staff recruitment and the process of selecting an individual from a pool of applicants. Recruitment needs to be carefully planned in order to attract the right type of applicant. Ultimately, this increases the chances of making a suitable selection and appointment. Your involvement might be bounded to a discussion of the need for a particular job within your team or work area, or you might be required to interview job applicants. Whatever your involvement, this session makes it clear that it is important for you to understand the whole process to make an effective contribution to the staffing of your organization.

## SCOPE OF RECRUITMENT AND SELECTION

The scope of Recruitment and Selection is broad enough and it consists of a variety of operations. Resources are considered as main asset to any organization. Thus, hiring right resources is the main aspect of Recruitment. Every company have its own pattern of recruitment based on their recruitment policies and procedures.

The scope of Recruitment and Selection involves the following operations −

- Dealing with the excess or shortage of resources
- Preparing the Recruitment policy for different categories of employees
- Analyzing the recruitment policies, processes, and procedures of the organization
- Identifying the areas, where there could be a scope of improvement
- Streamlining the hiring process with suitable recommendations
- Choosing the best suitable process of recruitment for effective hiring of resources

Any organization wants it future to be in good and safe hands. Thus, hiring the right resource is a very important task for any organization.

## RECRUITMENT

Recruitment is the process of finding and attempting to attract job candidates who are best capable for effectively filling job vacancies.

Recruitment is a process of identifying, screening, short listing and hiring potential resource for filling up the vacant positions in an organization. It is an essential function of Human Resource Management.

Recruitment is the process of choosing the right person for the right position and at the right time. Recruitment also refers to the process of attracting, selecting, and appointing potential candidates to satisfy the organization's resource requirements.

The hiring of the candidates can be done **internally** as in, within the organization, or from **external sources**. Also the process should be performed within a time constraint and it should be cost effective.

For searching for prospective employees and stimulating them to apply for the jobs in the organization the Recruitment is called as positive process. When more persons apply for jobs then there will be a scope for recruiting better persons.

Recruitment is a connection activity carries together those with jobs and those seeking jobs. In simple words, the term recruitment refers to discovering the source from where potential employees might be selected. The scientific recruitment process leads to higher productivity, better wages, high morale, reduction in labour turnover and enhanced reputation. It stimulates people to apply for jobs; thus it is a positive process.

Recruitment is preoccupied with reaching out, attracting, and ensuring a supply of qualified personnel and making out selection of requisite manpower both in their quantitative and qualitative aspect. It is the development and maintenance of adequate man- power resources. This is the first stage of the process of selection and is completed with placement.

**Definition:**

According to Edwin B. Flippo, "It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization." He further elaborates it, terming it both negative and positive.

In the words of Dale Yoder, Recruitment is the process to "discover the sources of manpower to satisfy 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."

Kempner writes, "Recruitment forms the first stage in the process which continues with selection and ceases with the placement of the candidates."

In personnel recruitment, management tries to do far more than merely fill job openings. As a routine the formula for personnel recruitment would be simple as in, just fill the job with any applicant who comes along.

Joseph J. Famularo has said, “On the other hand, the act of hiring a man carries with it the presumption that he will stay with the company-that sooner or later his ability to perform his work, his capacity for job growth, and his ability to get along in the group in which he works will become matters of first importance.” Because of this, a critical examination of recruitment methods in use should be made, and that is the purpose of this chapter.

## IMPORTANCE OF RECRUITMENT

Recruitment is one of the most fundamental activities of the Human recourses. If the recruitment process is efficient, then

- The organization gets happier and more productive employees
- Attrition rate reduces.
- It builds a good workplace environment with good employee relationships.
- It results in overall growth of the organization.

Here is a list that shows the purpose and importance of Recruitment in an organization −

- It identifies the current and future job requirement.
- It increases the pool of job at the minimal cost.
- It helps in increasing the success rate of selecting the right candidates.
- It helps in reducing the probability of short term employments.
- It satisfies the organization social and legal obligations as a consequence of the work force.
- It helps to identifying the job applicants and selecting the appropriate resources.
- It helps in increasing organizational effectives for a short and long term.
- It helps in evaluating the effectiveness of the various recruitment techniques.
- It attracts and encourages the applicants to apply for the vacancies in an organization.
- It identifies the present futures requirements of the organization and plan according.

- It links the potential employees with the employers.
- It helps in increasing the success ratio of the selection process of prospective candidates.
- It helps in creating a talent pool of prospective candidates, which enables in selecting the right candidates for the right job based on the organizational needs.

## FACTORS AFFECTING RECRUITMENT

Recruitment is an important function of the Human Resource Management in an organization, and it is governed by a mixture of various factors. Proactive HR Professionals should understand these factors influencing the recruitment and take necessary actions for the betterment of the organization.

When the market condition changes, the organization also needs to monitor these changes and discover how it affects the resources and analyze these functions for making recruitment an effective process.

We have **Internal Factors** as well as **External Factors** that influence the recruitment process. In this chapter, we will be discussing these factors in detail.

### A. Internal Factors

Organizations have control over the internal factors that affect their recruitment functions. The internal factors are −

- Size of organization
- Recruiting policy
- Image of organization
- Image of job

**Size of Organization**

The size of the organization is one of the main factors affecting the recruitment process. To expand the business, recruitment planning is mandatory for hiring more resources, which will be handling the future operations.

**Recruiting Policy**

Recruitment policy of an organization, as in, hiring from internal or external sources of organization is also a factor, which affects the recruitment process. It specifies the objectives of the recruitment and gives a framework for the implementation of recruitment programs.

### Image of Organization

Organizations having a good positive image in the market can easily attract competent resources. Maintaining good public relations, providing public services, etc., definitely helps an organization in enhancing its reputation in the market, and thereby attract the best possible resources.

### Image of Job

Just as the image of organization, the image of a job plays a critical role in recruitment. Jobs having a positive image in terms of recognition, better remuneration, promotions, and good work environment with career development opportunities are considered to be the attributes to attract qualified candidates.

### B. External Factors

External factors are those that cannot be controlled by an organization. The external factors that affect the recruitment process are as follow −

- **Demographic factors** − Demographic factors are related to the attributes of potential employees such as their age, religion, literacy level, gender, occupation, economic status, etc.
- **Labor market** − Labor market controls the demand and supply of labor. For example, if the supply of people having a specific skill is less than the demand, then the hiring will need more efforts. On the other hand, if the demand is less than the supply, the hiring will be relative easier.
- **Unemployment rate** − If the unemployment rate is high in a specific area, hiring of resources will be simple and easier, as the number of applicants is very high. In contrast, if the unemployment rate is low, then recruiting tends to be very difficult due to less number of resources.
- **Labor laws** − Labor laws reflect the social and political environment of a market, which are created by the central and state governments. These laws dictate the compensation, working environment, safety and health regulations, etc., for different types of employments. As the government changes, the laws too change.
- **Legal considerations** − Job reservations for different castes such as STs, SCs, OBCs are best examples of legal considerations. These considerations, passed by government, will have a positive or negative impact on the recruitment policies of the organizations.

- **Competitors** − When organizations in the same industry are competing for the best qualified resources, there is a need to analyze the competition and offer the resources packages that are best in terms of industry standards.

## SOURCES OF RECRUITMENT

For any organization, recruitment is a crucial part of developing and maintaining an effective and efficient team. A good recruitment strategy will reduce the wastage of time and money, which would have incurred for extensive training and development of unqualified resources.

do you ever think of, how a recruiter finds the right candidates? Recruiters use different methods to source, screen, shortlist, and select the resources based on the requirements of the organization. Recruitment types explain the means through which an organization reaches potential job seekers.

In this chapter, we will give an overview on the secrets of hiring and recruiting methods, used by the recruiters. Recruitment is broadly classified into two different categories − **Internal Sources and External Sources**.

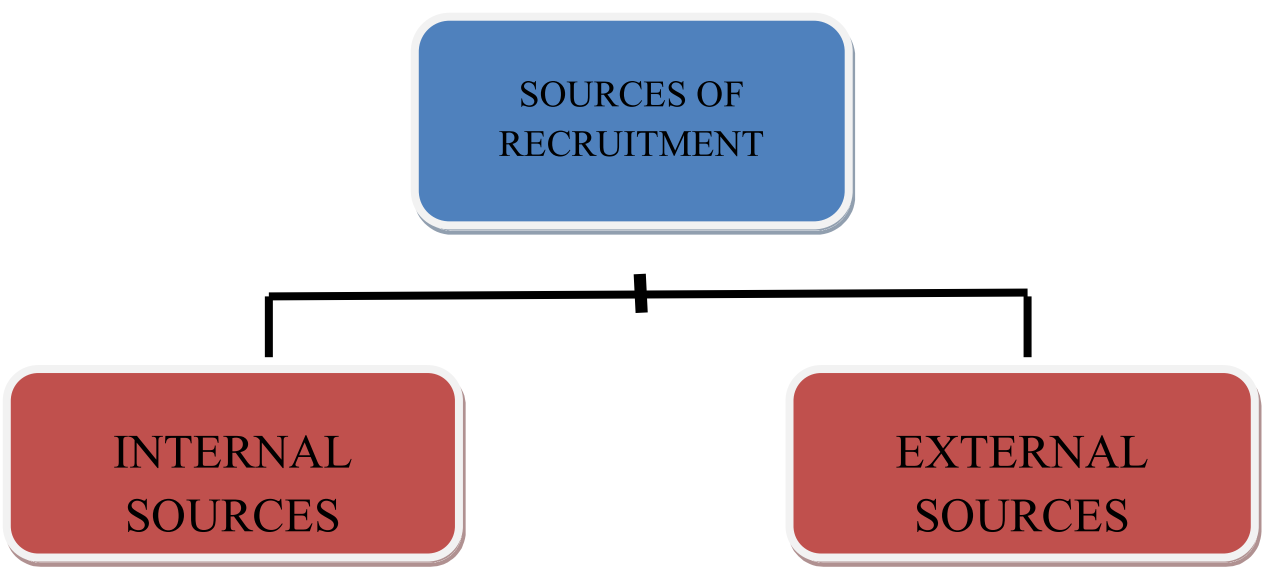



**Fig.3.1**

**Internal Sources of Recruitment**

Internal sources of recruitment refer to hiring employees within the organization internally. In other words, applicants seeking for the different positions are those who are currently employed with the same organization.

At the time recruitment of employees, the initial consideration should be given to those employees who are currently working within the organization. This is an important source of recruitment, which gives the opportunities for the development and utilisation of the existing resources within the organization.

Internal sources of recruitment are the best and the easiest way of selecting resources based on performance of their work is already recognize to the organization. Let's now discuss more on the various internal sources of recruitment.

**Promotions**

Promotion refers to upgrading the cadre of the employees by evaluating their performance in the organization. It is the process of shifting an employee from a lower position to a higher position with more responsibilities, remuneration, facilities, and status. Many organizations fill the higher vacant positions with the process of promotions, internally.

**Transfers**

Transfer refers to the process of interchanging from one job to another without any change in the rank and responsibilities. It can also be the shifting of employees from one department to another department or one location to another location, depending upon the requirement of the position.

**Recruiting Former Employees**

Recruiting former employees is a process of internal sources of recruitment; wherein the ex-employees are called back depending upon the requirement of the position. This process is cost effective and saves plenty of time. The other major benefit of recruiting former employees is that they are very well versed with the roles and responsibilities of the job and the organization needs to spend less on their training and development.

**Internal Advertisements (Job Posting)**

Internal Advertisements is a process of posting/advertising jobs within the organization. This job posting is an open invitation to all the employees inside the organization, where they can apply for the vacant positions. It gives equal opportunities to all the employees working in the organization. Thus, the recruitment will be done from within the organization and it saves a lot of cost.

**Employee Referrals**

Employee referrals are an effective way of sourcing the right candidates at a low cost. It is the process of hiring new resources through the references of employees, who are currently working with the organization. In this process, the present employees can refer their friends and relatives for filling up the vacant positions.

Organizations encourage employee referrals, because it is cost effective and saves time as compared to hiring candidates from external sources. Most organizations, in order to motivate their employees, go ahead and reward them with a referral bonus for a successful hire.

**Previous Applicants**

Here, the hiring team checks the profiles of previous applicants from the organizational recruitment database. These applicants are those who have applied for jobs in the past. These resources can be easily approached and the response will be positive in most of the cases. It is also an inexpensive way of filling up the vacant positions.

**Pros and Cons of Internal Sources of Recruitment**

Internal sources of recruitment, as in,hiring employees within the organization, his own set of advantages and disadvantages. The advantages are as follows −

- It is simple, easy, quick, and cost effective.
- No need of induction and training, as the candidates already recognize their job and responsibilities.
- It motivates the employees to work hard, and increases the work relationship within the organization.
- It helps in developing employee loyalty towards the organization.

The drawbacks of hiring candidates through internal sources are as follows −

- It prevents new hiring of potential resources. Sometimes, new resources bring innovative ideas and new thinking onto the table.

- It has bounded scope because all the vacant positions cannot be filled.
- There could be issues in between the employees, who are promoted and who are not.
- If an internal resource is promoted or transferred, then that position will remain vacant.
- Employees, who are not promoted, may end up being unhappy and demotivated.

**External Sources of Recruitment**

External sources of recruitment refer to hiring employees outside the organization externally. In other words, the applicants seeking job opportunities in this case are those who are external to the organization.

External employees bring innovativeness and fresh thoughts to the organization. Although hiring through external sources is a bit expensive and tough, it has tremendous potential of driving the organization forward in achieving its goals. Let's now discuss in detail the various external sources of recruitment.

**Direct Recruitment**

Direct recruitment refers to the external source of recruitment where the recruitment of qualified candidates is done by placing a notice of vacancy on the notice board in the organization. This method of sourcing is also called as **factory gate recruitment**, as the blue-collar and technical workers are hired through this process.

**Employment Exchanges**

Based on the law, for certain job vacancies, it is mandatory that the organization gives details to the employment exchange. Employment exchange is a government entity, where the details of the job seekers are stored and given to the employers for filling the vacant positions. This external recruitment is helpful in hiring for unskilled, semi-skilled, and skilled workers.

**Employment Agencies**

Employment agencies are a good external source of recruitment. Employment agencies are run by various sectors like private, public, or government. It gives unskilled, semi-skilled and skilled resources based on the requirements of the organization. These agencies hold a database of qualified candidates and organizations can use their services at a cost.

**Advertisements**

Advertisements are the most popular and very much preferred source of external source of recruitment. The job vacancy is announced through various print and electronic media with a specific job description and specifications of the requirements. Using advertisements is the best way to source candidates in a short span and it offers an efficient way of screening the candidates' specific requirements.

**Professional Associations**

Professional associations can help an organization in hiring professional, technical, and managerial personnel, on the other hand they specialize in sourcing mid-level and top-level resources. There are many professional associations that act as a bridge between the organizations and the job-seekers.

**Campus Recruitment**

Campus recruitment is an external source of recruitment, where the educational institutions such as colleges and universities offer opportunities for hiring students. In this process, the organizations visit technical, management, and professional institutions for recruiting students directly for the new positions.

**Word of Mouth Advertising**

Word of mouth is an intangible way of sourcing the candidates for filling up the vacant positions. There are many reputed organizations with good image in the market. Such organizations only need a word-of-mouth advertising regarding a job vacancy to attract a large number of candidates.

**Pros and Cons of External Sources of Recruitment**

External sources of recruitment, as in, hiring employees outside an organization, have both its benefits and drawbacks. The benefits are as follows −

- It encourages new opportunities for job seekers.
- Organization branding increases through external sources.
- There will be no biasing or partiality between the employees.
- The scope for selecting the right candidate is more, because of the large number candidates appearing.

The disadvantages of recruiting through external sources are as follows −

- This process consumes more time, as the selection process is very lengthy.
- The cost incurred is very high when compared to recruiting through internal sources.
- External candidates demand more remuneration and benefits.

To conclude, the HR department should be flexible enough to choose between internal or external methods of recruitment, depending upon the requirement of the organization.

## METHODS OF RECRUITMENT

Some of the mainmethods of recruitment are as follows: 1. Direct Method 2.Indirect Methods 3.Third Party Methods.

Recruitment methods refer to the means through which an organisation reaches to the potential job seekers. In other words, these are ways of establishing contacts with the potential candidates.lt is important to mention that the recruitment methods are different from the sources of recruitment.

The major line of distinction between the two is that while the former is the means of establishing links with the prospective candidates, the latter is location where the prospective employees are available. Dunn and Stephen have broadly classified methods of recruitment into three categories.

**These are:**

1. Direct Method
2. Indirect Method
3. Third Party Method.

A brief description of these follows in seriatim.

***1.* Direct Method:**

In this method, the representatives of the organisation are sent to the potential candidates in the educational and training institutes. They establish contacts with the candidates seeking jobs. These representatives work in cooperation with placement cells in the institutions Persons pursuing management; engineering, medical etc. programmes are mostly picked up in this manner.

Sometimes, some employer firms establish direct contact with the professors and solicit information about students with excellent academic records. Sending the recruiter to the conventions, seminars, setting up exhibits at fairs and using mobile office to go to the desired centers are some other methods used to establish direct contact with the job seekers.

***2.* Indirect Methods:**

Indirect methods involve advertisements in news papers, on the radio and television, in professional journals, technical magazines etc.

**This method is useful when:**

(i) Organisation does not find suitable candidates to be promoted to fill up the higher posts

(ii) When the organisation wants to reach out to a vast territory, and

(iii) When organisation wants to fill up scientific, professional and technical posts.

The experience suggests that the higher the position to be filled up in the organisation, or the skill sought by the more sophisticated one, the more broadly dispersed advertisement is likely to be used to reach to many suitable candidates.

Sometimes, many organisations go for what is referred to as blind advertisement in which only Box No. is given and the identity of the organisation is not disclosed. On the other hand, organisations with regional or national repute do not usually use blind advertisements for obvious reasons.

**While placing an advertisement to reach to the potential candidates, the following three points need to be borne in mind:**

1. First, to visualize the type of the applicant one is trying to recruit.
2. Second, to write out a list of the advantages the job will offer
3. Third, to decide where to run the advertisement, as in, newspaper with local, state, nation-broad and international reach or circulation.

***3.* Third Party Methods*:***

These involve the use of private employment agencies, management consultants, professional bodies/associations, employee referral/recommendations, voluntary organisations, trade unions, data banks, labour contractors etc., to establish contact with the job- seekers.

Now, a question arises: which particular method is to be used to recruit employees in the organisation? The answer to it is that it will depend on the policy of the particular firm, the position of the labour supply, the Government regulations in this regard and agreements with labor organizations. Notwithstanding, the best recruitment method is to look first within the organization.

## SELECTION

Selection is the process of picking or choosing the right candidate, who is most suitable for a vacant job position in an organization. In others words, selection can also be explained as the process of interviewing the candidates and evaluating their qualities, which are required for a specific job and then choosing the suitable candidate for the position.

The selection of a right applicant for a vacant position will be an asset to the organization, which will be helping the organization in reaching its objectives.

selection as a two-way process, an issue that is often overlooked by students. Remember, in any selection process an organisation will reach a decision about a candidate but the candidate will also reach a decision about the organisation (e.g. whether to apply for the job, and whether to accept a job offer if they are successful in the selection process).

Selection is the process of picking up individuals (out of the pool of job applicants) with requisite qualifications and competence to fill jobs in the organization. A formal definition of Selection is as under

**Definition of Selection:** Process of differentiating

"Selection is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in a job."

According to **Dale Yoder**, "Selection is the process in which candidates for employment are divided into two classes those who are to be offered employment and those who are not".

Different authors define Selection in different ways. Here is a list of some of the definitions −

- Employee selection is a process of putting a right applicant on a right job.
- Selection of an employee is a process of choosing the applicants, who have the qualifications to fill the vacant job in an organization.
- Selection is a process of identifying and hiring the applicants for filling the vacancies in an organization.
- Employee selection is a process of matching organization's requirements with the skills and the qualifications of individuals.

A good selection process will ensure that the organization gets the right set of employees with the right attitude.

## IMPORTANCE OF SELECTION

Selection means to choose the person from among the prospective candidates to fill in the vacant posts in the organisation. The success of the organisation depends upon the quality of personnel selected for the job. Thus selection of personnel is the mainfunction of the personnel management. The importance of selection might be judged from the following facts.

(1) Procurement of Qualified and Skilled Workers—scientific selection facilitates the procurement of well qualified and skilled workers in the organization. It is in the interest of the organization in order to maintain the supremacy over the other competitive firms. Selection of skilled personnel reduces the labour cost and increases the production. Selection of skilled personnel also facilitates the expansion in the size of the business.

(2) Reduced Cost of Training and Development—Proper selection of candidates reduces the cost of training because qualified personnel have better grasping power. They can understand the technique of the work better and in no time. Further, the organization can develop different training programmers for different persons on the basis of their individual differences, thus reducing the lime and cost of training considerably.

(3) Absence of Personnel Problems—Proper selection of personnel reduces personnel problems in the organisation. Many problems like labour turnover, absenteeism and monotony shall not be experienced in their severity in the organisation. Labour relations will be better because workers will be fully satisfied by the work. Skilled workers help the management to expand the business and to earn more profits and management intern compensate the workers with high wages, benefits etc.

## PROCESS OF SELECTION

The basic purpose of the selection process is choosing right type candidates to various positions in the organization.

The main steps which could be incorporated in the selection procedure are:

1. **Reception/scrutiny of application forms:** selection procedure stars only after the applications are received by a concern. Considering the standards set out by the organization. The application are scrutinized the applicants are screened out at each step.
2. **Screening Interview:** its purpose is to eliminate the unqualified or unsuitable candidates. It should be brief to have an idea of general education, experience, arraigning appearance, personals and salary requirements of the candidate etc.
3. **Application blank:** Blank application form is a way of getting written information about candidate's particulars in his own handwriting, application Blank give a written record of the following information:
    a) **Identification:** such as family background, date and place of birth, age, sex, height, citizenship, marital status etc.
    b) **Education:** it involves information about academic career, school certificate and degree levels, grade, division or place awarded in school and college, technical qualification etc.
    c) **Experience:** Giving full details of past jobs such as nature of work, job responsibilities, and periods involved, designations, salaries with allowances, reasons for living the present assignment etc.
    d) **Expected Salaries:** Allowances and other fringe benefits.
    e) **Community activities:** these consist of details regarding extra curricula activities, hobbies, position held in social organization such as clubs, management association etc.

# Selection Procedure

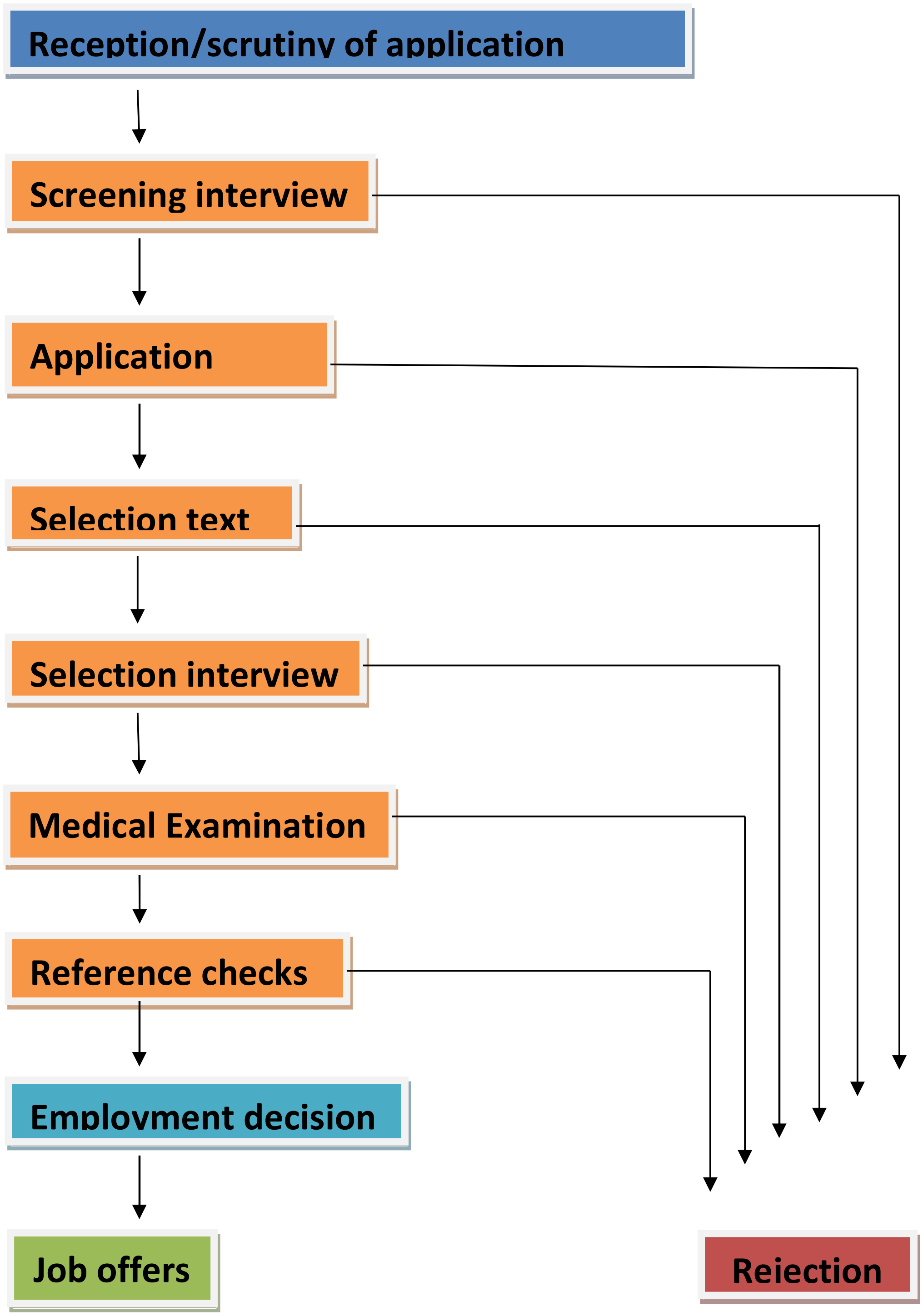



**Fig. 3.2**

4. **Selection test:** A test gives a systematic basis for comparing the behavior attitudes and performance of two or more persons. The personnal department may guide and help in the selection of types of tests appropriate for a particular position.

    a) **Trade test:** Technical jobs require trade tests.

    b) **Psychological Tests:**

        i) **Aptitude Test**: These are designed to measure the aptitude of applicants and their capacity to learn the skills. Required on a particular job.

        ii) **Intelligence Tests**: these aims at testing the mental capacity of a person with respect to various things.

        iii) **Interest Tests**: These determine the preference of the applicants for occupations of different kinds.

        iv) **Recognizeledge Tests**: these are devised to measure the depth of the recognizeledge and proficiency in certain skills already achieved by the applicants.

        v) **Project Tests**: In projective techniques the applicant projects his personality into free responses about pictures shown to him which are ambiguous.

        vi) **Personality Tests**: These determine personality such as co-operation against dominance or the emotion balance, the temperamental qualities of a person.

        vii) **Judgment Tests**: These are used for evaluating the ability to apply recognizeledge judicious in solving a problem.

5. **Selection Interview:** It must be conducted in a friendly atmosphere the candidate must be made to feel at eases. The questions should better be asked on the basis of job specification.

6. **Medical Examination:** It is a part of selection process for all suitable applicants. It is conducted after the final decision has been made to select the candidate. It is essential to ensure that the candidate is able to handle the job efficiently.

7. **Reference Checks:** If the applicant crosses all the above hurdles, an investigation might be made on the reference supplied by the applicant regarding by the applicant regarding

his past employment, education, character, personnel reputation, character, personnel reputation etc referees might be called upon on telephone, mail or personal visit.

8. **Employment Decision:** Managers express their intention to offer jobs to candidates found suitable after reference check. Candidates also express their intention to join or not join the job.
9. **Job offer:** After the candidate accepts to join the job, an appointment letter might be given to him mentioning the post on which selected the terms of appointment pay scales etc.

## REVIEW QUESTION

1. What is recruitment? Also explain the scope of recruitment and selection.
2. What are the sources of recruitment? Explain.
3. Discuss the methods of recruitment.
4. What is selection? Highlight on the importance of selection.
5. It selection is negative process? If yes then how?

# CHAPTER 4.

## GUIDANCE

# CHAPTER 4

# GUIDANCE

## CHAPTER CONTENTS

- Introduction
- Definitions of guidance
- Meaning of guidance
- Principles of guidance
- Nature of guidance
- Function of Guidance
- Need of Guidance

## INTRODUCTION

As, you might have experienced difficulty in taking admission in this system of distance learning, sometimes you may also be in a confusing mind while selecting the subjects what to offer for optional subjects. So you may take the help of others who recognize about the subject and the system of distance education. so many a times we need the help of others in taking decision about the important aspects of our life. It might be in the field of education, vocation, marriage etc. I am sure all of you must have such type of experience in one field or other. You also use the words like guidance, help, need, decision, advice in your daily conversation. In this unit you will recognize in details about the term "guidance". Sometimes some of you also think that we do not need others help. We can do our work properly etc. Sometime you may laugh at others because they ask or query about very simple matters. But, what is simple for you could be difficult for others too. So all do not have same type of problem or need sot when one need help in one field, other might be in another. But I am sure one day or other, small or big we face certain problems in our life. So we take the help of our teacher, parents, friends, doctor guidance workers counselors etc. We will get and overall idea about the concept of guidance & it's principles need & function etc. Let's recognize more about it.

## MEANING OF GUIDANCE

Guidance is all round assistance to individual in all aspect of his or her development. It makes use of the science of psychology to determine the attitude, interest, intelligence, personality and the discipline of the education for providing right and suitable assistance. It has the **characteristic** of

- It is a process of helping or assisting an individual to solve their problems. It helps them to identify where to go, what to do and how to do for post accomplishment of their goals.
- It is a continuous process which starts right from childhood, adolescence and continues over in old age.
- It is assistance to the individual in the process of development rather than direction of that development.
- It is a service meant for all: its regular service which is required for every student, not only for abnormal students.
- Guidance is an organized service not in incidental activity of the school.
- Guidance is more an art than science.
- Guidance is centered on the needs and aspiration of Person.

## DEFINITIONS OF GUIDANCE

The meaning of Guidance as all of us recognize is help or assistance. It will be more clear to all of you, if we discuss how different scholars have defined in varied ways.

"Guidance seeks to help each individual become familiar with a broad range of information about himself, his abilities, this pervious development in the various areas of living and his plans orambitions for the future."

-chisholm

"Guidance is an assistance given to the individual in making intelligence choices & adjustments."

- A. J. Jones

Guidance is a means of helping individuals to understand and use wisely the educational. Vocational and personal opportunities they have or can develop and as a form of systematic assistance whereby students are aided in achieving satisfactory adjustment to school & to life."

-Dunsmoor & Miller

If we will analyze the above definitions we observe the following features of guidance. These are:-

•Guidance is a process

•Guidance is a continuous process

• It is concerned with problem & choice.

•It is assistance to the individuals in the process of development.

• It is both a generalized & specialized service

•It is a service meant for all.

## PRINCIPLES OF GUIDANCE

According to Crow and Crow there are **14 significant principles for guidance** they are

1. Every aspect of person's complex personality pattern constitutes a significant factor of his total displayed attitudes and form of behavior. Guidance service which are aimed at carry about desirable adjustments in any particular area of experience must take in to account, the all round development of the individual.
2. Although all human beings are similar in many respect, individual difference must be recognized and considered in any effort aimed at providing help or guidance to a particular child.
3. The functions of the guidance is to help a person
   - Formulate and accept stimulating , worthwhile and attainable goals of behavior
   - Apply the goals to conduct his behavior.
4. Existing social, economic and politic unrest is giving rise to many maladaptive factors that require the cooperation of experienced and thoroughly trained guidance workers and the individuals with the problem.
5. Guidance should be regarded as a continuing process of service to an individual from young childhood through adulthood.

6. Guidance service should not be bounded to the few who give observable evidence of its need, but should be extended to the all person of all ages who can benefit there from either directly or indirectly.
7. Curriculum materials and teaching procedure should evidence a guidance point of view.
8. Parents and teachers have guidance appointed responsibilities.
9. To administer guidance intelligently and with as thorough recognizeledge of the individual as is possible , programs of individual evaluation should be conducted and accurate consultative records of progress should made accessible to guidance workers.
10. An organized guidance programme should be flexible according to the individual and social needs.
11. The responsibilities for administration of guidance programme should be centered in a personally qualified and adequately trained person, working cooperatively with his assistance and other community welfare and guidance agencies.
12. Periodical appraisal should be made for existing guidance programmes.
13. Guidance touches every phase of an individual's life pattern.
14. Specific guidance problems on any age level should be referred to persons who are trained to deal with particular areas of adjustment.

## NATURE OF GUIDANCE

Guidance covers the whole process of education which starts from the birth of the child. As the individual need help thought their lives, it is not wrong to say that guidance is needs from cradle to grave.

- It we consider the literal meaning, to guide means to indicate, to penitent, to show the way. It means more than so assist. If an individual slips on the road, we assist him/her to get up but they do not guide him unless we help to go in a certain direction.
- The term guidance is related to an types of education –formal, non-formal, vocational etc. The aim is to help the individual to adjust to the environment.
- In the light of the deification discussed, it might be pointed out that by itself guidance has no position. It is a process or service disagreed to help the individual to attain his full maturity and be of service to society. Guidance is also regarded as an instrument which helps in the realization of general? Of education. The nature of guidance is more clearly understand with reference to consulting.

## FUNCTION OF GUIDANCE

Guidance have three fold functions namely adjustmental , orientataional and development.

***Adjustmental***

They help the student in making the best possible adjustment to the current situation in the educational institution in the home and the community. It enable the student to accept the things which they cannot change in life and differentiate what they can change and cannot change in life.

***Orientational***

They orient the student in the problem of cancer planning, educational programming and direction towards long term personal aims and values.

***Developmental***

It is concerned with helping the people to achieve self development and self realization.

## NEED OF GUIDANCE

The need for guidance and counseling can be summarize as

1. To help is the total development of the students.
2. To arise students in leading a healthy life by abstaining from whatever is dexterous to health.
3. To help the proper selection of educational programmed.
4. To select career according to their interest and abilities.
5. To help students in vocational development.
6. To develop readiness for change and to face challenges.
7. To help fresher's to establish proper written.
8. To identify and motivate students of the weaker society.
9. To help the students to overcome the period of turmoil and confusions.
10. Ensure proper utilisation of time –spend outside the class.
11. To help in tackling problems arising out of student exploration and co-education.
12. To minimize the indiscipline.
13. To motivate youth for self employment.

### REVIEW QUESTION

1. What do you understand by Guidance?
2. Explain the Nature of guidance.
3. Discuss the principle of guidance.
4. What are the main functions of guidance?
5. Highlight the needs of guidance?

# CHAPTER 5

## TRAINING

# CHAPTER 5

# TRAINING

## CHAPTER CONTENTS

- Introduction
- Definitions of training
- Objective of Training
- Designing the training Program
- Methods of Training
- Importance of training
- Determining training need

## INTRODUCTION

Training is the act of increasing the recognizeledge and skills of employee in improving performance. The major outcome of training is learning how to perform a job in most effective manner. It is a planned program to bring measurable change in aptitude and social behavior of employee.

Training constitutes a basic concept in human resource development. It is concerned with developing a particular skill to a desired standard by instruction and practice. Training is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously. Training is the act of increasing the recognizeledge and skill of an employee for doing a particular job.

## DEFINITIONS OF TRAINING

Dale S. Beach defines training as ‘the organized procedure through which people learn recognizeledge and/or skill for a definite purpose’. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization acquire and apply the recognizeledge, skills, abilities, and attitudes needed by a particular job and organization.

According to Edwin Flippo, ‘training is the act of increasing the skills of an employee for doing a particular job’.

## OBJECTIVE OF TRAINING

Training is the method through which the gap between actual skills and desired skills of employees can be mitigated. It is common in all organizations. Basic objectives of training are discussed as below:

**1. To develop new employees:**

New employees may not sufficient skills required for the job. Human resource management should give training to such employee to develop to fit according to organizational needs.

**2. To update existing employees:**

Employees forget different skills gradually if they shall not be required to use them in regular basis. Such skills must be refreshed. New ways of doing things, new technology, machinery etc. require to update skills of existing employees. Training aims to refresh and update skills of employees

**3. To change attitude of employees:**

Training is aimed to maintain healthy environment within the organization. Motivation, communication, leadership and coordination skills gived to employees help to change the behavior of employees towards positive. Each employee becomes supportive and cooperative towards management, supervisor and co-workers.

**4. To manage change:**

At most, employees seem to be reluctant towards change because of lack of confidence towards skills required to work in new environment. They fear from failure in new responsibility, technology and work set-up. But, training gives sufficient skills required for change. They gain confident and thus accept any types of change easily. Thus, training aims at managing change.

**5. To manage conflict:**

Employees contradict with their supervisor and management because of misunderstanding at working procedure, technology and leadership. They react negatively for every action of management. They sometimes protest against management. Training brings management, supervisors and employees at a single platform. It gives opportunity to interact for common issues. It facilitates open communication which helps to settle conflict.

**6. To develop future potential:**

Another objective of training is to develop human resources for the future job responsibilities. For succession planning, training gives required skills. It gives sufficient learning environment. This helps to manage the future human scarcity in the organization.

**7. To increase productivity:**

One of the major objectives of training is to increase productivity of organization. It makes employees competent, skilled and committed which reduces the cost of production but increases the productivity.

**8. To reduce accidents:**

Training aims to reduce accidents by improving their skills. Training gives operational skills like operating machine, handling objects, using materials etc. Such skills help to reduce major and minor accidents within the operating areas.

## DESIGNING THE TRAINING PROGRAM

Training is a systematic process which aims at improving recognizeledge, skills and ability at individual, group and organization level. Training should be effective so that the cost of training should be overcome by the benefits. For this, management has to follow certain steps as follows:

**1. Training need assessment:**

The first step in training is to identify the training need. Before planning the training, management should assess the training need assessment. Training need is the gap between actual skills, recognizeledge and competencies and desired or required level of skills, recognizeledge and competencies. This helps to identifies types and level of training. This means training need assessment is conducted to determine to whom in individual or group or organization level training is essential or not. This estimates how many employees of what level need the training urgently or at future. Correct assessment of training need is the key for training effectiveness.

**2. Establishment of training objectives:**

After finding the training needs, training objectives should be established. This is major task in training process. The primary objective is obviously to satisfy the gap between the actual and required skills, recognizeledge and competencies. Secondary objectives can be different for different time and condition.

**3. Choosing appropriate method:**

Training methods are mainto attain the training objectives. Methods are the means to transfer the skills, recognizeledge and working procedure. There are basically two methods for training namely on the job and off the job. Under on the job training methods, employees learn with doing their regular job at the work place. Quick feedback is possible in on the job training method. Off the job training is conducted at seminar hall, coaching center or training institutions. It the trainees are large in numbers, off the job training method becomes appropriate. Selection of training method depends upon training objectives, number of training, training place, etc.

**4. Training planning:**

After choosing training method, training plans should be prepared. For planning certain matters like training contents, trainers, training budget, training schedule final list of trainees, training materials, etc. should be prepared.

**5. Conducting training:**

All this stage, actual training programs are conducted. Prepared plans and programs are implemented to get desired training output. Now, actual training activities begin to impart skills, recognizeledge and abilities.

**6. Training effectiveness evaluation:**

It is important to recognize whether the training became fruitful or not, training objectives are attained or not, training should be evaluated. There are different methods of training evaluation. Some methods focuses to the training effectiveness evaluation just immediate to training programs where as some other methods measure effectiveness after certain time. Training effectiveness can be judged just by measuring whether the job outputs are improved after training or not.

**7. Feedback:**

Feedback is the response of training effectiveness. Feedback gives the information regarding the weakness and strengths of training programs. Feedback helps to improves the training program in the future.

## METHODS OF TRAINING

Main objective of training is to increase employee's skills, recognizeledge and competencies. As different programs have different objectives, they can be fulfilled by different methods. On the basis of training place as in, whether that is work place or not, training methods can be of two types as on the job and off the job. They are discussed below:

**A. On the job training method:**

If the training is conducted at the working place of employee, that training method is called on the job. Here, trainees are not necessary to go to the training center or elsewhere out of the job station. Main objective of this training method is 'learning by doing'. Training to give skills or recognizeledge related to technical jobs like tailoring, plumbing, wiring, computer programming, etc. are given at the working place of trainees under direct supervision of highly skilled trainer. This method is more effective as trainees can learn while doing. They gain quick feedback regarding the level of their learning so that they can revise if they lack skills. This method is considered as most economical method of training. There are different types of training methods under on the job training as follows:

***1. Apprenticeship Training:***

Apprenticeship training methods focuses on educational expertise at work. Under this method, trainees learn by working under experts employees related to their job. This method takes longer time as in, two to five years according to job nature, to make trainees expert. Expect employees observe and control the activities of trainees. Trainees get regular salary and benefits as they work in regular basis. Training for plumbers, electricians, accountants, etc., are conducted under apprenticeship method.

***2. Internship training method:***

Those persons which have theoretical recognizeledge are required to attain practical skills recognizeledge and expertise. In such cases, to the persons who have acquired theoretical recognizeledge through academic courses, join internship training to convert theoretical recognizeledge into practice. Main purpose of such internship program is to combine theoretical recognizeledge and practical experience. Through internship training, trainees get practical recognizeledge regarding work conditions and work procedures.

***3. Job instruction training method:***

This method is focused for supervisors to train for operatives. It is the step by step approach to teach new skills. It consists of four steps as training preparation, presentation, practice and follow up. It is an effective low cost training solution. In above methods, trainees learn in their self interest because supervisors do not give any instructions for particular job. In this method, instructors or supervisors prepare fixed learning schedule to the trainees. So, in this method, trainees gain skills and recognizeledge according to training plans.

***4. Program instruction training:***

This method is recently introduced by B.F. Skinner for training non-technical skills to employees. Under this method, employees are given instruction for the jobs to be done in terms of hands out, text and manual and written instruction. Trainees use the given instruction at job. They can use the instruction again and again until they become perfect. Instructors inspect the job done by trainee employees and evaluate the training effectiveness.

***5. Job rotation:***

Job rotation is the training gived to trainee employees who need to develop overall skills and experience. Under this method, same employees are shifted to different jobs after being perfect at one job. As they are rotated job to job, they are expected to gain skills from every sector.

***<u>Advantages of on the job training method:</u>***

***1. Less time consuming:***

On the job training method is conducted within job time and the job station. Trainees get skills under the direct supervision of trainers or supervisors. So, they gain quick feedback. Thus, the training takes less time.

***2. Cost effective:***

Trainee employees shall not be required to go anywhere away from their job station. They do their regular job. There will be no change of job leisure at the organization. Therefore, this method incurs less cost in comparison to other methods.

***3. Strong motivation:***

Trainees get quick skills, recognizeledge and experience what they learn from training. They can immediately apply the skills learnt from training. Because of this, trainees get strong motivation.

***4. Simple method:***

On the job is simple training method as it is conducted at the working situation and under the strict supervision of instructor. The change of misleading or misunderstanding can be very low. Wherever trainees get confused or feel problem, instructor guide them immediately. Therefore, trainee employees feel the training simple.

***5. Multiple skills:***

This method gives the opportunity of getting multiple skills. Trainees have to work at their regular job station as the regular employees. So, instructors give instruction in some other areas of training as well. They will not confine only to the subject matter of training.

***6. Quick feedback:***

In this training method, trainees need to work under the supervision of instructors. They have to apply the skills immediately at the job. Instruction find immediately whether they have learnt perfectly or not. Training effectiveness can be recognizen immediately.

***Disadvantages of on the job training method:***

***1. High chance of accidents:***

Trainee employees cannot work perfectly as they are placed first time at the job. They cannot handle the machinery perfectly. They may not have the perfect body coordination for the job. So, the chance of satisfying accident becomes high.

***2. Low quality product:***

Trainee employee lack sufficient skills, experience and expertise at work. They work at regular job responsibilities. Output of their job as in, goods and services at training period may thus be low quality product. This may reduce consumer satisfaction.

***3. Lower productivity:***

Trainee workers are required to work at regular job responsibilities. Their job may not be perfect. Wastage remains might be maximum level. Machinery and equipment get breakdown frequently. So, with comparatively high input, low outputs can be attained. This reduces in low productivity.

***4. Disturbances:***

Regular activities of employees will be highly affected by the training programs. Regular production schedule gets disturbed by training because of which production target in terms of time, number of production and quality cannot be attained.

**B. Off the job training method:**

If the trainees need to go to training center or anywhere outside their job station for training then the training method is called off the job training. Basically training programs based on lecture or class room activities are conducted outside the working place. Off the job training method is trainer centered. Nowadays different audio visual device like projectors, films, documentary etc. are available for training purpose make training effective but the effectiveness of training depends upon the skills and recognizeledge of trainer and methodology used to deliver the skills in the training. Trainees get relief from the work place stress during training so training is assumed to be more effective. Trainer cannot get the immediate feedback regarding the training output, so training cannot evaluate the training effectiveness quickly. Main objective of off the job training is to improve general behavior and skills of employees.

Different methods can be used off the job training method as follows:

***1. Lecture and seminar:***

Under this method, trainee employees are gathered at the seminar hall or training institute and trainers deliver the training content verbally in a lecture way. Maximum trainees can be adjusted at a single training schedule. Lecture method gives educational recognizeledge and skills to improve their conceptual, behavioral and analytical abilities. Program instruction, computer assisted instruction, reading materials like leaflets, brochures, flyers, etc. are commonly used materials in off the job training.

***2. Stimulation exercise:***

Stimulation exercise is the act of reflection or abstraction of real world situation or problem in the training hall or laboratory. Under this method, artificial work place is prepared resembling the real work place and trainee employees are placed to that place. Trainees realize as they are in the real work station. Trainees try to work and make mistake. They learn from mistake. Main assumption of this method is that trainees closely resemble the actual one wherein they are gived with the opportunities to conduct trail or test runs which are as close as the reality. Driving or pilot training, electrician and plumbing training, etc., are suitable training to be gived with simulation exercise. This method helps to avoid the costly error like accidents at the work place. Following common techniques are used in simulation method:

- Computer Modeling:

Different computer programming and aid are prepared to simulate the real world. Trainees can observe such simulate the real work. Trainees can observe such simulations in computer screen and analyze the problems. They try to find out the most suitable solution.

- Vestibule training:

Vestibule labs are prepared to practice with actual equipment to be used in actual job. For technical jobs, employees are given training in vestibule lab in order to reduce the chance of accidents in actual work station.

- Virtual reality:

This is most sophisticated method of training in which trainees realize the actual working conditions by sending such message in brain. Swimmers are taught skills out of the water by using this techniques. They realize completely same working situation. This method required complete brain concentration.

***3. Programmed instruction:***

Under this method, instructions for the skills or recognizeledge are recorded in text reading or manuals. Such manuals are prepared in such a way that trainees can study the instruction themselves in logical and sequential order. Trainees are expected to learn the training content by themselves in their own pace. They give progress feedback to their resource person or trainer in regular basis. Nowadays computer aided instructions are being popular. Having no active interaction with trainer is one important demerit of this method.

***4. Role play method:***

Under this method, trainee employees play the role of actual working situation. They prepare role to create imaginary situation as they have to work in real work situation. They learn from the act of other trainees and discuss on the problem. With the joint effort they solve the problems. This method is quite difficult but more interesting. This method develops the habit of joint effort for solving problems.

***Advantages of off the job training method:***

***1. Cost effective:***

Under this training method, maximum number of trainee employees can be involved. Therefore, training cost per trainee remains low.

***2. Low production error:***

Trainee employees learn the skills and recognizeledge outside the work place. They are expected to be perfect at training spot or institute so that they apply the learnt skills at job. Therefore, there is low chance of production error. Wastage can be minimized and the chance of distribution defective products at the market is low:

***3. No chance of accidents:***

Employees learn the skills at virtual work place with virtual machinery and equipment at the beginning. They are allowed to handle the actual equipment and materials only after being perfect at their job. So, there will be no chance of being accidents at the work place. This saves time, equipment and even sometimes the life of employees.

***4. Maintaining productivity:***

Wastage of time, materials, equipment and machinery is very low at the real production because there is no chance of test or trial production. Employees get confident in the training outside the working environment. This helps to maintain the actual productivity of organization and to increase after joining the job be trained employees.

***5. No disturbances for production:***

Trainee employees join the training somewhere away from the working station. They do not disturb the working employees at the job. Production can be continued without any delay or disturbances.

***Disadvantages of off the job training method:***

***1. No quick feedback:***

Trainee employees do not apply their skills on the job immediately during learning period. They realize they have learnt the skills but when they join the actual job responsibilities, they may lack full confident or skills. There is no chance of getting immediate feedback. This gives no opportunity of evaluating training effectiveness quickly.

***2. Less effective:***

In this method of training, trainees may not express their queries or obstacles of getting skills. They just may express their positive response without getting the skills fully. Training program might be completed even without having the employee perfect for the purpose. Therefore, all the objectives of training may not be attained.

***3. No production:***

During the training period, employees join training outside the working station. They do not involve in daily production process. So, during the training period, there will be no production and thus there might be problem for maintaining the supply.

***4. Expensive:***

This method of training can be expensive in the sense that organization need to manage extra place for training. Employees need to go the institutes; organization has to pay for institutes and trainers. The chance of using own experts in very low.

***5. Low involvement:***

This method of training is less interesting as trainee employees do not get chance to apply the skills immediately. The effectiveness of training totally depends upon the activeness, delivery skills and attractiveness of trainers. Therefore, employee's involvement in this training remains very low.

## IMPORTANCE OF TRAINING

In order to achieve organizational goals, training to employees is much essential. It shapes and sharps recognizeledge of employees. Importance of training can be justified with following points:

**1. Increased productivity:**

Training improves quality of employees. It gives additional skills and recognizeledge to operate machinery and to perform activities. Wastage can reduced. They can produce maximum output with minimum resources. Thus, productivity can be improved.

**2. Increased profitability:**

Training gives skills to work with greater confidence which reduces wastage. Organization gains economies in production. Production cost per unit will be reduced significantly. Quality of goods and services can be improved so that customer satisfaction can be increased. This helps to increase the market share. So, training helps to increase profitability.

**3. Developed competency:**

Training gives different skills and techniques required to complete job. On the job and off the job training can be gived on the demand of employees and organization. Training programs are initiated well in advance to cope with future needs. So, employees become more competent after getting training.

**4. Improved quality:**

Well trained, skilled and competent employees produce quality product. They can use the materials in the best composition. Finishing, packaging etc. can be improved. Service gived by trained employees is highly accepted by customers.

**5. Better communication:**

Training removes hesitation, fear and nervousness of employees. Training helps to establish two way communications at work place with supervisors and co-workers. This helps to improve performance and maintain harmonious relationship within organization.

**6. Change management:**

Training gives recognizeledge of planning, coordinating and managing events in case of changing external environment. It gives sufficient skills, expertise and experience to handle new technology and new job responsibilities. Training helps to increase the confidence for improved output. Thus, employees become positive for any types of changes initiated by the organization. So, change management becomes easy.

**7. Personality development:**

Training helps to increase recognizeledge, skills and techniques of employees. It plays an important role in making an employee a compete person. It gives better employment opportunity, responsibility and salary. In this way, training develops employee's personality.

**8. Easy to manage conflict:**

Employees react negatively for every action of management because of low confident. But, training brings management, supervisors and employees at a single platform. It gives opportunity to interact for common issues. It facilitates open communication which helps to settle the conflict.

**9. Developing future potential:**

For succession planning, training gives required skills. It gives sufficient learning environment. On the basis of future need assessment, employees can be prepared for every job responsibility. This helps to manage the future human scarcity in the organization.

## DETERMINING TRAINING NEED

Training is a systematic process in which skills, experience and capabilities are transformed to the employees. It increases the productivity and profitability of organization. But, training should be effective. Ineffective training increases only the cost but not the efficiency. Management should identify whether or not, to what level, for what skills and to whom should be trained. This means, before initiating training, we have to identify the need of training.

Training need is the gap between the existing skills, experience and capabilities in organization and required skills, experience and capabilities based on job requirement. Training need determination thus, a systematic analysis of training activities required to achieve human resource development goals. This can be shown in the following relation:

**Training needs = Capabilities required - capabilities available**

In conclusion, training need determination is the managerial task to identify exact needs of training to the employees. It is the situation of gap between required capabilities for the job available capabilities in the organization. Greater the gap between required and existing capabilities, immediate training need can be realized. Sometimes, there can be available capabilities can be more than required capabilities, in this situation additional job responsibilities can be given to the employees. Training need determination is important for the following reasons:

- To develop training objectives.
- To estimate training budget.
- To identify training responding problems.
- To develop training programs.
- To develop training evaluation system.

### REVIEW QUESTION

1. What do you understand by training?
2. Explain on the job and off the job Training.
3. Why training is needed?
4. What are the importances's of training?
5. Explain the advantage and disadvantage of On the job and Off the job Training.
6. What are the main objectives of Training?

# CHAPTER 6

## LEADERSHIP

# CHAPTER 6

# LEADERSHIP

## CHAPTER CONTENTS

- Introduction
- Definitions of Leadership
- Who is Leader
- What qualities does a leader have
- Type Of Leaders
- Types of leadership
- Factors of Leadership
- Need of Leadership
- Functions of Leadership

## INTRODUCTION

The word leadership has come from the word "lead" which means to guide, to conduct, to direct etc. It can simply be defined as the ability to influence others.

Leadership is an art. It is the catalyst that transforms potential into reality.

Leadership is the process of influencing and supporting others to work enthusiastically toward achieving objectives.

Leaders help themselves and others to do the right things. They set direction, build an inspiring vision, and create something new. Leadership is about mapping out where you need to go to "win" as a team or an organization; and it is dynamic, exciting, and inspiring.

Yet, while leaders set the direction, they must also use management skills to guide their people to the right destination, in a smooth and efficient way.

**Leading** is establishing direction and influencing others to follow that direction. But this definition isn't as simple as it sounds because leadership has many variations and different areas of emphasis.

Common to all definitions of leadership is the notion that leaders are individuals who, by their actions, facilitate the movement of a group of people toward a common or shared goal. This definition implies that leadership is an influence process.

The distinction between leader and leadership is important, but potentially confusing. The leader is an individual; leadership is the function or activity this individual performs. The word leader is often used interchangeably with the word manager to describe those individuals in an organization who have positions of formal authority, regardless of how they actually act in those jobs. But just because a manager is supposed to be a formal leader in an organization doesn't mean that he or she exercises leadership.

## DEFINITIONS OF LEADERSHIP

According to **harold Koontz**-"Leadership is the art of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals."

**Fred luthans** said-"The behaviour of a leader influences the work performance and satisfaction of his subordinates"

According to **Stogdill**-" Leadership is the situation and maintenance of structure in expectation and interaction"

**paul Pigors** has mentioned the four talks of a leader:- Initiation, Representation, Administration and Explanation.

## WHO IS LEADER

A leader is "a person who influences a group of people towards the achievement of a goal". A mnemonic for this definition would be 3P's - Person, People and Purpose as illustrated by the following diagram.

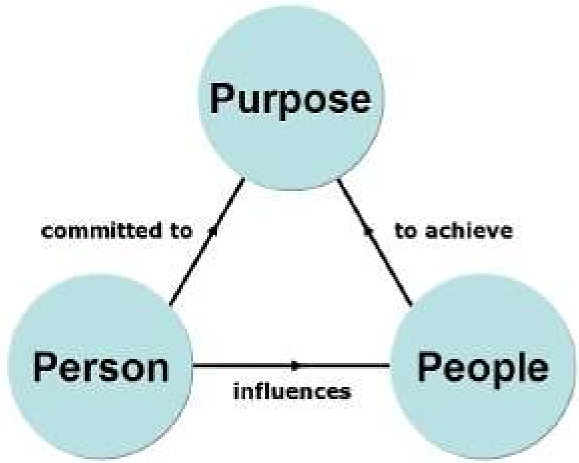



**Fig.6.1**

- **Person**

  Is leadership a position of office or authority? Or, is leadership an ability in the sense that he is a leader because he leads? We all may recognize or hear of people who are in positions of leadership but who are not providing leadership. A position of office is no guarantee of leadership but it helps in the sense that a leadership position usually commands a listening ear from its people and that is a good starting point for anyone who desires to be a leader.

- A leader by its meaning is one who goes first and leads by example, so that others are motivated to follow him. This is a basic requirement. To be a leader, a person must have a deep-rooted commitment to the goal that he will strive to achieve it even if nobody follows him!

- **Purpose**

  A requirement for leadership is personal vision - the ability to visualize your goal as an accomplished fact; a thing already achieved.

- **People**

To be a leader, one must have followers. To have followers, one must have their trust. How do you win their trust? Why would others trust you? Most important, are you worthy of their trust?

Why are some individuals more effective than others at influencing people? Effectiveness in leadership has been attributed to-

(1) Persuasion skills,

(2) Leadership styles and

(3) Personal attributes of the leader.

We will explore these further in another article or two. Now, we will consider one critical element of leadership (influence) - love for people.

## WHAT QUALITIES DOES A LEADER HAVE

Leaders should have a number of common qualities.

- **Self-awareness:** Recognizeledge of your own values, passions, skills, strengths and weaknesses, an ability to admit and learn from mistakes and to seek information to fill recognizeledge gaps.
- **Integrity:** A strong sense of "what is right" and a demonstration of ethical practices that sets the tone for others. A commitment to teaching by example.
- **Courage:** The strength to act in accordance with your own values and the greater good despite pressures pushing you in other directions. The ability to put the cause before the desire to be popular.
- **Confidence:** A belief in your ability to satisfy most challenges that come your way.
- **Vision:** A strong sense of where you are going as a person and where you think society, your community and your organization should be going – and how it might get there.
- **Enthusiasm:** A lively interest in the people, issues and events around you, a feeling of excitement about the possibilities, and the energy to guide them towards fruition.
- **Innovation:** The ability to "think outside the box;" take risks and develop new and effective solutions to old and emerging problems.
- **Wisdom:** Intelligence coupled with insight and empathy, as opposed to raw intelligence.

- **Adaptability:** A willingness to be flexible and to respond quickly and effectively to changing circumstances, along with a commitment to continual learning – formal and informal – and the ability to put that learning into practice.
- **Strong inter-personal skills:** An ability to interact and work harmoniously with others, while being prepared to take on individual responsibilities.
- **Effective communication:** A willingness and ability to listen to and understand the thoughts, ideas and concerns of others and to clearly communicate your own. A vision is nothing if it can't be sold to others.
- **Belief in others:** The desire to build the capabilities of others, praise them where appropriate, go into bat for them when appropriate, give them with helpful feedback and motivate them to do their best.
- **Peer respect:** An ability to inspire respect, allowing a person to capably lead discussions, maintain discipline and encourage the contribution of others.
- **Insight:** The ability to see the big picture, a strong sense the stage attained by followers and intuits problems before they arise or before they become insurmountable.
- **Sense of humour:** The ability to laugh at yourself and relieve tense or stressful situations with humour.
- **Competence:** Others are unlikely to follow the lead of a person who does not appear to recognize what s/he is doing.
- **Delegation skills:** A willingness to trust others and cede some responsibility.
- **Spiritual sensitivity:** Is the key to a better communication with others, but primarily towards a better understanding of privacy. It marks your positive attitude in life, identifies you to seek and to focus on what it is right and not on what it is wrong. Also, it indicates that you are a wonderful person with a rich spiritual life.

## TYPE OF LEADERS

Let's take a look at the five types of leaders.

**Type 1: Managerial Leader**

A managerial leader is the least effective of the five types of leaders. They have the least influence. People only follow them because they have to. They are not in the position to serve others. Their desire is to be served by others because they are in the position. They see others as tools to use to complete the objective for the day. They prefer to make decisions. Their weakness is character development.

Here's a brief review of features:

- Character is weak.
- Desire is "to be served" rather than "to serve."
- They have a scarcity mindset.
- Competency can range from undeveloped to highly developed.
- Focus is on managing (directing/controlling) people and processes.
- Values the position more than the people.
- Strength comes from power, control, formal authority, and personal results.

**Type 2: Relational Leader**

A relational leader builds relationships in order to influence others. People want to follow them because of who they are, not what they recognize. They develop mutual respect with others and work well with them. Although people want to follow them, they have not developed specialized recognizeledge. Their weakness is not making the necessary sacrifices to develop their competency.

Here's a brief review of features:

- Character is strong.
- Desire is to serve.
- They have an abundance mindset.
- Competency is undeveloped and generalized.
- Focus is on leading (influencing/releasing) people.
- Values people more than the position.
- Strength comes from relationships and moral authority.

**Type 3: Motivational Leader**

A motivational leader seeks mutual benefit for themselves, others, and the organization. People want to follow them because of who they are and what they recognize. They influence others from the outside. They are process focused. They are trusted and deliver results for themselves, their families, their team, their organization, their customers, their suppliers, and their community. Their weakness is not making the necessary sacrifices to reproduce other motivational leaders.

Here’s a brief review of features:

- Character is strong.
- Desire is to serve.
- They have an abundance mindset.
- Competency is developed and specialized.
- Focus is on leading (influencing/releasing) people, managing the processes, and getting results.
- Values people more than the position.
- Strength comes from relationships, moral authority, and team results.

**Type 4: Inspirational Leader**

An inspirational leader inspires managerial and relational leaders to become motivational leaders. Their focus is on growing themselves in order to inspire others to grow. They influence others on the inside. They are people-focused not process-focused. They focus heavily on character development. True inspirational leaders are followed because of how much they care and who they are on the inside. They are inspired by the growth of those following them.

Here’s a brief review of features:

- Character is stronger.
- Desire is to serve and develop others.
- They have an abundance mindset.
- Competency is highly developed and specialized.
- Focus is on leading (influencing/releasing) people and developing motivational leaders.
- Values people more than the position.
- Strength comes from relationships, moral authority, and the growth of others.

**Type 5: Transformational Leader**

A transformational leader’s passion and purpose is to transform others. They are the most influential of the five types of leaders and are highly respected. Their reputation precedes them. They are well recognizen for developing leaders. Their influence touches people in all industries and across multiple generations. They have influenced many leaders for many years. Their influence is continuously being transferred through many other leaders at many different times in multiple locations.

Here’s a brief review of features:

- Character is strongest.
- Desire is to serve and to develop others.
- They have an abundance mindset.
- Competency is highly developed and specialized.
- Focus is on leading (influencing/releasing) people and developing motivational and inspirational leaders.
- Values people more than the position.
- Strength comes from relationships, moral authority, growth of others, and the respect they have earned.

## TYPES OF LEADERSHIP

To lead effectively, you have to strike the difficult balance between communication and accountability. Different situations call for different leadership approaches, depending on corporate needs, objectives and available resources. Ultimately the goal of any leader is to get results. Here's a list of the various common leadership types.

1. **Authentic Leadership**-The recent authentic Leadership approach seems to have evolved in the light of major scams and scandals, a blind race for profits and personal gains and short term prospective, involving the CEO's of top organizations. It focuses on the charter of the leader as the driver of positive interrelationships. Authenticity is about being genuine and not attempting to play a role; not acting in a manipulative way.
2. **Autocratic Leadership**-Autocratic leadership allows autocratic leader to take the ultimate control of taking decisions without consulting others. An autocratic leader possesses high level of power and authority and imposes its will on its employees. This type of leadership proves to be useful where close level of supervision is required. Creative employees morale goes down because their output is not given importance and is often detest by employees. Since they are unable to take any part in decision making, these results in job satisfaction and staff turnover.
3. **Laissez-Faire Leadership**-Under this type of leadership, a laissez-faire leader do not exercise control on its employees directly. Since employees are highly experienced and need little supervision, a laissez-faire leader fails to give continuous feedback to employees under his or her supervision. This type of leadership is also associated with

leaders that do not supervise their team members, failed to give continuous feedback resulting in high costs, bad service, failure to satisfy deadlines, lack of control and poor production.

4. **Transformational Leadership**-The Transformational leadership highlights a leader as a facilitator of change occurring, when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. The process of transformational leadership aims at influencing changes in attitudes and assumptions held by organizational members and building commitment for organizational goals and objectives. High level of communication exits between managers and employees and it is under the guidance of leaders that employees satisfy their goals and enhance productivity and efficiency.
5. **Transactional Leadership**-Transactional Leadership contrast, involves management – by- exception, intervention, and punishing those who made errors. This can lead to negative emotions and performance on the part of the subordinates. This approach would also require close monitoring of the subordinates, who would surely not like it, and if they felt constrained, their performance might not be best.

   Additionally, some of their voluntary behaviors, like citizenship behaviors would be reduced. A manger leads a group of highly motivated individuals who follow his leadership and achieve their goals. Employees are trained or rewarded such as bonuses depending upon their performance.
6. **Bureaucratic Leadership**-Under bureaucratic leadership, a leader believes in structured procedures and ensure that his or her employees follow procedures exactly. This type of leadership leaves no space to explore new ways to solve issues and in fact work by book. This type of leadership is normally followed in hospitals, universities, banks (where large amount of money is involved) and government organizations to reduce corruption and increase security. Self motivated individuals who are highly energetic often feel frustrated due to because of organization inability to adapt to changing environment.
7. **Charismatic Leadership**-The charismatic leader is visionary and works by infusing high amount of energy and enthusiasm in his team. He sets as role model for his team and drive others to show high level of performance. This type of leader is committed to the organization and believes more in him rather than his team. The presence of charismatic

leader works as a boost for rest of the employees and therefore such type of leader should be committed to the organization for the long run.

A charismatic leadership may pose as a risk to the company if he decided to leave to explore new opportunities and it might take lot of time and hard work by the company to win the confidence of its employees.

8. **Participative Leadership**-Also recognizen as democratic leadership style, participative leadership consults employees and seriously considers their ideas when making decisions. When a company makes changes within the organization, the participative leadership style helps employees accept changes easily because they had given a big role in the process. Participative Leadership might be required for tasks that are non routine or unstructured, where relationships are non-authoritarian and the subordinate‘s locus of control is internal.
9. **Directive Leadership**-Directive Leadership gives guidance about what should be done and how to do it, scheduling work, and maintaining standers of performance. Thus, it might be inferred that directive leadership is effective as the subordinators has an external locus of Control, lacks experience, has a high need for clarity or a low need of achievement. Also, when the task is unstructured, or there is conflict between work groups, a more directive style would be useful.
10. **Supportive Leadership**-Supportive Leadership show concern for the needs of the employees, leader is friendly and approachable. Supportive Leadership would be more suitable for highly structured tasks, under bureaucratic and formal authority relationship. In supportive Leadership, leader support to their subordinates officially and some time personally also. Leader always try to fulfill their requirements, it boost employees moral also.
11. **Achievement Oriented Leadership**- Achievement oriented Leadership encourage employees to perform at their highest level by setting challenging goals, emphasizing excellence and demonstrating confidence in employees abilities. Achievement oriented Leadership is largely suitable for unstructured tasks, where the subordinate need for achievement is high.

FACTORS OF LEADERSHIP COMMUNICATION

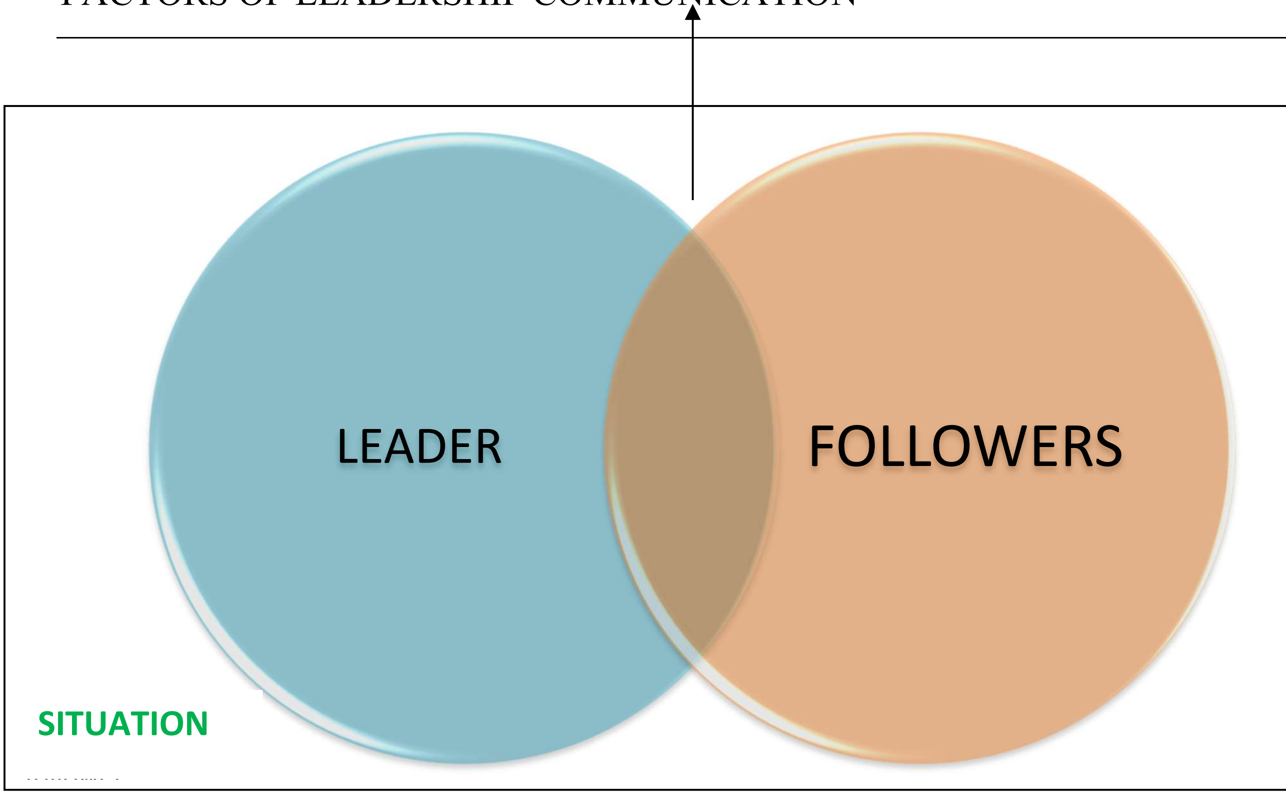



**Fig.6.2**

There are four primary factors of leadership

1. **Leader**-You must have an honest understanding of who you are, what you recognize, and what you can do. Also, note that it is the followers, not the leader or someone else who identifies if the leader is successful. If they do not trust or lack confidence in their leader, then they will be uninspired. To be successful you have to convince your followers, not yourself or your superiors, that you are worthy of being followed.
2. **Follower**-Different people require different styles of leadership. For example, a new hire requires more supervision than an experienced employee does. A person who lacks motivation requires a different approach than one with a high degree of motivation. You must recognize your people! The fundamental starting point is having a good understanding of human nature, such as needs, emotions, and motivation. You must come to recognize your employees' *be, recognize,* and *do* attributes.
3. **Communication**-You lead through two-way communication. Much of it is nonverbal. For instance, when you "set the example," that communicates to your people that you would not ask them to perform anything that you would not be willing to do. What and

how you communicate either builds or harms the relationship between you and your followers.

4. **Situation**-All situations are different. What you do in one situation will not always work in another. You must use your judgment to decide the best course of action and the leadership style needed for each situation. For example, you may need to confront an employee for inappropriate behavior, but if the confrontation is too late or too early, too harsh or too weak, then the results may prove ineffective.

   Also note that the *situation* normally has a greater effect on a leader's action than his or her traits. This is because while traits may have an impressive stability over a period of time, they have little consistency across situations.

   Various forces will affect these four factors. Examples of forces are:

- Your relationship with your seniors
  The skills of your followers
- The informal leaders within your organization
- how your organization is organized

## NEED OF LEADERSHIP

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the need of leadership.

1. **Initiates action-** Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
2. **Motivation-** A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.
3. **Providing guidance-** A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
4. **Creating confidence-** Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees as a consequence of their complaints and problems.

5. **Building morale-** Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.
6. **Builds work environment-** Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.
7. **Co-ordination-** Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

## FUNCTIONS OF LEADERSHIP

**Following are the important functions of a leadership:**

1. **Setting Goals:** A leader is expected to perform creative function of laying out goals and policies to persuade the subordinates to work with zeal and confidence.
2. **Organizing:** The second function of a leader is to create and shape the organization on scientific lines by assigning roles appropriate to individual abilities with the view to make its various components to operate sensitively towards the achievement of enterprise goals.
3. **Initiating Action:** The next function of a leader is to take the initiative in all matters of interest to the group. He should not depend upon others for decision and judgment. He should float new ideas and his decisions should reflect original thinking.
4. **Co-Ordination**: A leader has to reconcile the interests of the individual members of the group with that of the organization. He has to ensure voluntary co-operation from the group in realizing the common objectives.
5. **Direction and Motivation**: It is the primary function of a leader to guide and direct his group and motivate people to do their best in the achievement of desired goals, he should build up confidence and zeal in the work group.
6. **Link between Management and Workers:** A leader works as a necessary link between the management and the workers. He interprets the policies and programmes of the management to his subordinates and represents the subordinates' interests before the

management. He can prove effective only when he can act as the true guardian of the interests of his subordinates.

## REVIEW QUESTION

1. What do you understand by leadership?
2. What do you understand by Leader?
3. Why leadership is needed?
4. What qualities does a leader have?
5. What are the types of leader?
6. What do you mean by factors of leadership?
7. Discuss the types of leadership.
8. Describe the functions of leadership.

# CHAPTER 7

## MONOTONY FATIGUE AND BOREDOM

# CHAPTER 7

# MONOTONY, FATIGUE AND BOREDOM

## CHAPTER CONTENTS



## INTRODUCTION

Boredom and fatigue are often overlapping states. Boredom is the subjective state which arises in repetitive and monotonous environments. Boredom can become apparent within minutes of onset of a monotonous task. Boredom is the result of the requirement to maintain attention in the absence of relevant task information.

Fatigue can also be the principal product of hours of continuous work. For instance, skill fatigue is fatigue stemming from performing complex tasks or tasks involving a number of simultaneous processing requirements. Skill fatigue causes an increase in the variability and timing of actions. Skill fatigue also produces changes in attention distribution. These changes vary depending on the task.

Sleep disturbances also cause fatigue and stress. Total sleep loss produces considerable subjective stress. Performance effects usually appear after the operator has been working for some time, and thus, brief tasks may not be impaired. In continuous work without sleep, an individual's fastest reactions are unaffected, but the slowest reactions take longer and longer to execute. In vigilance performance, both auditory and visual signals are impaired by sleep loss and are especially impaired later in the work period.

## MONOTONY

According to Harrell, “Monotony is a state of mind caused by performing repetitive tasks. It implies no emotional dislike. Job enlargement mostly causes monotony. Job enlargement overloads the horizontally.” The clerk in the bank, a computer programmer and an accountant- these jobs are examples for job enlargement. Employees of these jobs perform the same activities repeatedly and thus experience monotony.

Monotony, thus, is a state of mind or an attitude of a worker towards his job. Monotony is caused due to performing repetitive tasks. Monotony is caused even if the worker is not tired mentally and/or physically. For example, a worker watching a machine at work continuously and does not keep his mind fully occupied, experiences monotony.

Monotony simply means repetitiveness. A person feels bored by doing or applying the same activity again and again. Monotonous was derived from the Latin word ‘monotonia’, meaning ‘sameness of tone’. For example: If the particular music is being played for the longer period of time, then one will get bored because of monotony. It automatically creates a lack of interest. A person in their life anyhow needs variety. As it gives a reason to live and learn something new. Monotony is an unpleasant, undesirable affective state.

## FATIGUE

Human capacity to work is bounded. Every work requires care, attention and concentration. A person cannot work continuously for longer periods. The work output will be more in the morning and it goes on decreasing with passage of time as a worker will feel tried, mentally and physically, in the evening. The decrease in efficiency of working due to longer working periods is recognizen as fatigue.

It is one of the most significant problems before industrial engineers. Fatigue has been defined as a negative appetite for work activity. According to vitals, "The tension, the subjection to specialization of work and a rhythm uncontrolled by the individual, promote fatigue characterized by decrease in the power to work, a decrease in pressure taken in work, and a increase in the enjoyment of the hours spent away from work".

**Fatigue can precisely be explained as follows:**

1. It leads to loss of efficiency.
2. It results in more or less complete loss of responsiveness of tissue.
3. It might be termed as the reduced capacity of work resulting from work itself.
4. It is considered as state of 'lack or interest' in not only work but in other activities too.

Fatigue is related to the mental status of person. One person may not be tired even after long hours of work whereas the other person may feel fatigued or tired even after few hours of work. Some persons may feel fresh after a Shorty relaxation during working periods while others may not regain energy "even after longer rests." A number of factors such as aptitude, interest, nature of job, work environment or working conditions etc., influence the mind of persons on jobs.

## TYPES OF FATIGUE

**Fatigue might be of the following types:**

**1. Physical fatigue:**

Physical fatigue is caused either by continuous work for long periods or the nature of work like the work might be heavy and requiring lot of physical excursion. The physical capacities of workers are bounded and they may feel tired after a continuous work for longer periods.

**2. Mental fatigue:**

A worker utilizes has brain for doing a job for a longer period. The doing of same work again and again will result in mental fatigue of the worker.

**3. Nervous fatigue:**

When work needs the use of mental and physical capabilities for a continuous period, it will result in nervous fatigue.

**4. Industrial fatigue:**

When a worker continues to work the job for longer periods, his efficiency and productivity will result in nervous fatigue.

## CAUSES OF FATIGUE

**Fatigue might be caused due to the following reasons:**

1. Longer hours of continuous work without rest pauses may cause fatigue because muscles will be tired after long work.
2. Unsatisfactory working environment like insufficient light insanitation, congestion, noise elevated temperatures etc.
3. Fatigue may also be caused by personal reasons such as family tension, bad health etc.
4. There might be faulty design of machines and equipment which leads to wastage of energy of workers on them.
5. The complexity or production process may also put more load on workers resulting into fatigue.
6. The workers may not be properly placed on jobs based on their skill levels.
7. The harsh attitude of supervisor may also result in fatigue of workers.
8. Inconvenient and awkward posture of worker (required for some particular jobs) as in, standing or bending for longer periods may also be the cause of fatigue.

## METHODS OF REDUCING FATIGUE

A fatigued worker will not be able to work with his original rhythm. Every industrial enterprise is expected to devise ways and means of reducing fatigue so that production does not suffer for longer periods.

**Following methods may help in reducing fatigue and providing freshness to workers:**

**1. Rest pauses:**

When workers continue to work for longer periods then they; feel tired and need some rest. Rest pauses are of great importance in reducing fatigue as well as monotony. Rest pauses should be gived in such a way that workers feel relieved after working for some hours. A well planned rest pauses schedule will be of .great help in reducing fatigue.

**2. Less hours of work:**

Longer hours of work are the main cause of fatigue. The hours of work should be reduced to that optimum level where workers are able to keep up their working speed. The factories act in India allows only 48 hours a week for adult workers and it should be followed strictly.

**3. Proper lighting:**

Poor illumination is an important cause of disturbance and fatigue. The work place should be properly lighted so that workers are able to work without burdening their eye sight and brain.

**4. Improving environmental conditions:**

The humidity, temperature and ventilation influence workers at work. A proper balance of temperature, humidity should be maintained to make the work place comfortable and worth working so that fatigue is reduced.

**5. Reduction of noise:**

Undesirable noise will cause fatigue. It may also cause muscular tension. Unnecessary noise should be curbed to its, minimum level. Lower noise levels increase productivity of workers by reducing fatigue, removing cause of irritation.

**6. Proper selection of employees:**

A wrong selection of employees and their placement may also be a reason for fatigue and monotony. A job may require more physical input than worker has. In such situations the worker will feel fatigued after short duration of work. A square peg in a square hole will help in reducing fatigue and boredom so proper selection shall help in this regard.

**7. Job rotations:**

Sometimes workers start feeling bore and tired while working repeatedly on the same job. If job rotation a is gived it will avoid boredom and fatigue.

**8. Counseling of employees:**

Anxieties and worries might be the main cause of fatigue with some workers. There might be job dissatisfaction domestic problem etc. the officers of personnel department should counsel the employees and help them in solving their problems.

## BOREDOM

Boredom is caused due to lack of interest or aptitude in the job. It is characterized by depression and a design for change of activities. According to John A. Kilawi, 'boredom is tinged with emotional distaste and is accompanied by a corresponding attitudinal outlook.' Thus, boredom is heavily affected by factor like personality, attitude, aptitude or interest patterns rather than doing repetitive tasks. Boredom is a desire for change in work rather than for a rest or relief from work.

Repetitive tasks, less challenging jobs, insignificant jobs in the organizations, insignificant jobs from the viewpoint of customers and society and family members and friends of the employee cause boredom. Boredom refers to the subjective aspects of fatigue, it is highly specific. A worker experiencing boredom can the work efficiently, physically and mentally, but he has no desire or aptitude/interest to do the work.

## EFFECTS OF FATIGUE, BOREDOM AND MONOTONY

Thought there are differences among fatigue, boredom and monitory, they effect the employee and the organization more or less similarly. These effects involve:

- Deterioration in employee's physical and mental health.
- Increase  in accidents
- Increase in absenteeism and labour turnover
- Decline in the quality of products and services
- Decline in the quality of output
- Increase in the rate of rejections, breakage and wastage
- Disinterested workers create similar feelings among other workers
- Decline in the level of employee morale
- Under utilisation of the resources in case of monotony and boredom
- Decline in the level of job satisfaction.

## MEASURES TO REDUCE FATIGUE, BOREDOM AND MONOTONY

The following are useful to reduce fatigue, boredom and monotony

- Sometimes, fatigue is caused due to long work hours. Reduction in working hours minimizing fatigue.
- Rest pauses and flexi-working schedules reduce fatigue
- Time and motion studies might be conducted to recognize unnecessary motions and to eliminate them.
- Conducting medical examination for the workers at least once in six months and give adequate medical facilities to the worker to make him physical strong. It helps to prevent fatigue
- Conducted work environment should be gived. It involves good lighting , ventilation, avoidance of noise, furniture and space based on ergonomics. This environment prevents fatigue.
- Factory layout and office layout should be convenient and confortable. They prevent fatigue.
- Workers should be allowed and encouraged to form groups and teams. This measure reduces the fatigue caused due to social factors.
- Organic structure, job enrichment and job rotation gives the challenging work to the worker and help to reduce boredom
- Empowerment also gives challenging work and help to minimize boredom.
- Allocation the job ti the worker in which he is really interested helps to prevent boredom.
- Job Enrichment, empowerment, job rotation give the employee with a variety of tasks. They prevent monotony
- Job rotation also helps the employee to have a variety of tasks to be performed. Thus, job rotation prevents monotony.
- Building team and groups give the employee to interact with other members of the team and perform a variety of tasks, Thus, team work is the best measure to prevent monotony.

# DIFFERENCES BETWEEN FATIGUE AND BOREDOM

| DIFFERENCES BETWEEN FATIGUE AND BOREDOM | |
|---|---|
| Fatigue | Boredom |
| • Fatigue is reduced capacity for doing work/carrying out the activities.<br>• Fatigue is associated with physical and psychological depletion<br>• It is conscious inability to continue the work after a certain state<br>• It expresses in the form of a gradual decline in the work curve with a final end spurt.<br>• It can measurable with certain limitations<br>• It can b reduced through the rest pauses<br>• All workers experience fatigue.<br>• It can be reduced but can't be prevented/avoided | • Boredom is lack of interest or decreased interest in a particular work/activity.<br>• Boredom is a concomitant of mental dullness.<br>• Boredom is a basic disinterest towards an activity or the work due to the nature work.<br>• It expresses in the form of irregularities in the work curve with intermittent spots of duration.<br>• It is a subject attitude and therefore, cannot be measurable.<br>• It can be reduced / avoided through assigning the work in the worker is interested.<br>• Some workers only experience boredom.<br>• It can be prevented/avoided, if work is assigned based on the interest. |

## REVIEW QUESTION

1. What is monotony and Fatigue?
2. Explain the Types of fatigue. Also discuss the Causes of fatigue.
3. What are the Methods of reducing fatigue?
4. What is Boredom? Explain the Effects of Fatigue, Boredom and Monotony.
5. What are the Measures to Reduce Fatigue, Boredom and Monotony?
6. What are the Differences between Fatigue and Boredom?

# CHAPTER 8

## MOTIVATION

# CHAPTER 8

# MOTIVATION

## CHAPTER CONTENTS



## INTRODUCTION

A **motive** is an impulse that causes a person to act. **Motivation** is an internal process that makes a person move toward a goal. Motivation, like intelligence, can't be directly observed. Instead, motivation can only be inferred by noting a person's behavior.

People are often motivated by external incentives as well as internal needs.

**Example:** If a person is hungry, he or she may choose to eat a salad rather than a cheeseburger because he or she wants to be slimmer.

While motivation is an effort to direct human behaviour towards need satisfaction, motivators are the factors that motivate people. They involve both incentives and disincentives that influence human behaviour. Incentives satisfy the needs of people and improve their performance at work. They cover both financial and non-financial rewards.

At a simple level, it seems obvious that people do things, such as go to work, in order to get stuff they want and to avoid stuff they don't want.
Why exactly they want what they do and don't want what they don't is still something a mystery. It's a black box and it hasn't been fully penetrated.
Overall, the basic perspective on motivation looks something like this:

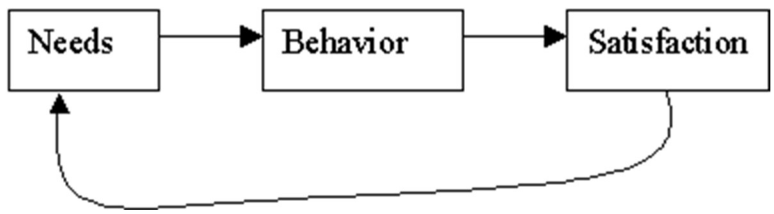



**Fig.8.1**

In other words, you have certain needs or wants (these terms will be used interchangeably), and this causes you to do certain things (behavior), which satisfy those needs (satisfaction), and this can then change which needs/wants are primary (either intensifying certain ones, or allowing you to move on to other ones).
A variation on this model, particularly appropriate from an experimenter's or manager's point of view, would be to add a box labeled "reward" between "behavior" and "satisfaction". So that subjects (or employees), who have certain needs do certain things (behavior), which then get them rewards set up by the experimenter or manager (such as raises or bonuses), which satisfy the needs, and so on.

## MOTIVATION

Motivation is defined as the process that initiates, guides, and maintains goal-oriented behaviors. Motivation is what causes you to act, whether it is getting a glass of water to reduce thirst or reading a book to gain recognizeledge.
According to Burack and Smith "An incentive scheme is a plan or programmes to motivate individuals for good performance. An incentive is most frequently built on monetary rewards (incentive pay or a monetary bonus) but may also involve a variety of non-monetary rewards and prizes."

The motivators can be in the form of incentives and disincentives. When rewards are given in recognition of employees' behaviour, motivators are in the form of incentives and when penalties are imposed for non-performance of work, motivators are in the form of disincentives.

Motivators serve important purpose in the organisation. They aim at improving organisational performance through better utilisation of human resources. If human beings are satisfied, it also results in optimum utilisation of physical resources.

# TYPES OF MOTIVATION

**1. Financial Motivators:**

Rewards can be financial or non-financial. Financial rewards are in the form of money. Money has great value in satisfying numerous needs of a person. When a person joins an enterprise, he works for money. His need-based behaviour makes managers use financial and non-financial incentives as motivators. People who want their primary needs to be satisfied are motivated by financial motivators.

Normally workers at lower levels are influenced by financial motivators like salary or bonus. People at managerial and higher administrative levels with dominant secondary or higher-order needs of acceptance, recognition and esteem are motivated by non-financial motivators such as praise, better working conditions, job enrichment and participative decision-making.

**Financial motivators can be distinguished from non-financial motivators as follows:**

**Financial motivators**

1. They are normally used to satisfy employees' lower-order needs.
2. They are generally used to satisfy needs of employees working at lower-levels of management.
3. They are tangible and directly influence individual and organisational performance.

**Non-financial motivators:**

1. They are meant to satisfy their higher-order needs.
2. They are used to satisfy needs of employees working at higher levels.
3. They are intangible benefits that indirectly influence individual and organisational performance.

**Money as a motivator:**

Money plays important role in the lives of people. At the foremost, their primary or physiological needs can be satisfied through money. To some extent, even the higher-order needs of ego, esteem and recognition are satisfied through money.

Money helps in buying everything material that a person wants to buy. Having a luxurious house, a big car, club membership, foreign passport, exquisite jewellery and apparels, all can be acquired through money. Gellerman defines money as a symbol of power. Money is a symbol of status.

Over a period of time, people form groups and group behaviour becomes more powerful than money in influencing their behaviour. Once the basic needs are satisfied, people are influenced by the desires of their co-workers, job enlargement, job security, growth opportunities (personality development), recognition and many other factors other than money.

Money can only fulfill our needs but non-monetary incentives like recognition, praise and acceptance develop us to assume positions of higher importance. Non-monetary rewards shape the culture of the individual and the organisation.

Money, thus, can be used as a motivator only to some extent. So long as an individual perceives monetary rewards as more than the cost of his additional efforts put towards organisational goals, he will be motivated by monetary rewards. If, on the other hand, he perceives that cost of additional efforts is more than the monetary rewards he receives for those efforts, he will not be motivated by monetary rewards.

Cost of additional efforts > monetary rewards = motivators can be non-financial in nature

Cost of additional efforts < monetary rewards = motivators are usually financial

**2. Non-financial motivators:**

The simple motivational tools of early years which focus on only financial benefits prove to be an ineffective method of motivation beyond physiological and safety needs because of the unique aspects of an employee's job. The non-financial incentives become an important component of the motivation mix of a company.

**Some of the important non-financial motivators are as follows:**

**(i) Goodwill:** Employees of a reputed firm feel motivated to contribute towards its goals and plans.

**(ii) Work environment:** A healthy and friendly environment where managers and employees work as a team is motivating for workers to contribute towards organisational goals.

**(iii) Participation:** Managers should encourage participation of subordinates in organisational matters. Though the ultimate decision-making power vests with the managers, participation of those who are directly affected by the decisions of managers promotes loyalty and commitment amongst employees towards organisational goals.

Employees develop understanding and cooperate with the management. It develops the decision-making talent of employees and helps to develop future executives. It also promotes the quality and speed of implementation of decisions.

**(iv) Quality of working life:** Improvement in the quality of life through job enlargement and job enrichment can be motivating for employees to positively contribute towards organisational productivity.

**(v) Setting of goals:** If employees are allowed to set their goals, they will be motivated to attain them. Goal-setting is a non-financial motivator that motivates and guides human behaviour.

**(vi) Challenging jobs:** Allowing workers (with higher-order needs) to take challenging and innovative projects motivates them to perform their jobs faster and better.

**(vii) Development of individuals:** Managers should allow subordinates to use imagination and creativity in their area of expertise and convert their weaknesses into strengths. Subordinates who exploit opportunities for personal growth contribute towards organisational growth also.

**(viii) Effective feedback system:** An effective and quick system of feedback enables employees to compare their performance with the targeted performance. This motivates them to correct deviations and avoid their recurrence in future.

**(ix) Promotions:** It is human psychology to improve his status and be different from others. People aspire for higher positions. Opportunities for promotion to higher posts offer strong motivation to people. Though promotions depend on prosperity and policies of the company, normally, promotions honour the internal people who are able and experienced.

When a person is promoted as branch manager, he gets power, position and enjoys higher income that makes him work harder to step further to the higher posts. Promotions should be based on merit and experience instead of favouritism.

**(x) Improved communication:** The communication system where organisational policies and procedures are communicated from top to bottom and doubts and clarifications flow from bottom to top improves understanding of each others' viewpoint, boosts their morale and simplifies implementation of decisions.

**(xi) Integration of individual goals with organisational goals:** Managers who integrate individual goals with organisational goals look at organisational goals as a means of satisfying individual goals and individual goals as a means of satisfying organisational goals. This integration increases the morale of individuals.

**(xii) Sound organisation structure:** A sound organisation structure with well-defined tasks, authority-responsibility relationships, span of control and leadership styles increases people's morale to improve their performance.

**(xiii) Employee-oriented approach:** Managers should emphasise upon employee relations more than task relationships. People should be allowed to develop to their maximum potential. Employee satisfaction leads to task accomplishment.

**(xiv) Job design:** The jobs should be so designed that people exploit their potential to the fullest and derive job satisfaction and need satisfaction out of their jobs. Challenging and innovative jobs build the morale of people with high 'growth-needs'.

**(xv) Development facilities:** Recreational, medical, educational, counselling, sports and other welfare facilities develop the employees and build their morale to positively contribute to organisational output.

**(xvi) Magazines and bulletins:** Magazines and bulletins are published by the companies to keep their employees motivated. Employees take it as a matter of pride that the company is spending on magazines and bulletins meant specially for them.

These magazines give new techniques of working new products and latest policies of the concern and give valuable information regarding promotion of people and their work; that is, outstanding people are praised. Employees also contribute their ideas in the articles. Some of the experienced employees may narrate their experiences that promote future thinking by new employees.

**(xvii) Positive effect:** The positive effect is an important technique for motivating the employees. It involves praise, positive feedback, human warmth and understanding the capabilities of employees. Developing small group and peer-relations also affects motivation through positive effect. Friendship, support and comradeship frequently create positive feelings towards the company and the employees.

**(xviii) Leadership style:** Leadership style plays important role in motivating the employees. Managers should use inspirational leadership style, that is, influence through referent power. Identification or recognition of employees is an important tool in the motivational strategy. It develops the expectation for extreme efforts, sacrifice and achievement in the employees.

It is practiced through professional speakers, special audio tapes and video tapes designed to arouse and stimulate the interest of employees. It also tries to create and perpetuate certain corporate myths and success stories, which indirectly motivate employees to perform at their best.

**(xix) Freedom to work:** In order to perform the duties and responsibilities, employees must have the freedom and discretion to perform the jobs. Lack of discretion has negative impact on job satisfaction. Freedom satisfies psychological needs of the employees and is like power pay (a reward), which makes the job of the employees important in the organisation.

**(xx) Rewards and recognition:** Rewards and recognition of accomplishments also serve as motivators. Some of the ways to recognise and honour the employees are to confer "employee of the month/year" award. Congratulation messages from members of top management, trophies, membership of social clubs, mention in company's newsletter, certificate etc. also recognise and honour employees' need for self-esteem and self- respect. These are like status pay, that is, public acrecognizeledgement of the value that management places upon an individual.

## MASLOW'S NEED HIERARCHY THEORY

It is probably safe to say that the most well-recognizen theory of motivation is Maslow's need hierarchy theory Maslow's theory is based on the human needs. Drawing chiefly on his clinical experience, he classified all human needs into a hierarchical manner from the lower to the higher order.

In essence, he believed that once a given level of need is satisfied, it no longer serves to motivate man. Then, the next higher level of need has to be activated in order to motivate the man.

Maslow identified five levels in his need hierarchy as shown in figure

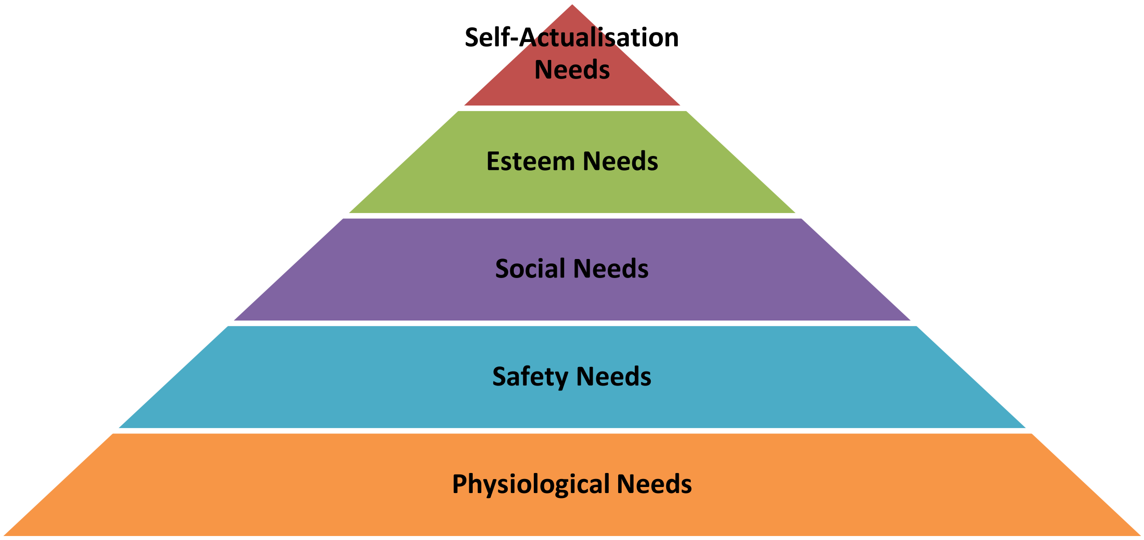



**Fig.8.2**

Specific examples of these types are given below, in both the work and home context.

| **Need** | **Home** | **Job** |
|---|---|---|
| **self-actualization** | education, religion, hobbies, personal growth | training, advancement, growth, creativity |
| **Esteem** | approval of family, friends, community | recognition, high status, responsibilities |
| **belongingness** | family, friends, clubs | teams, depts, coworkers, clients, supervisors, subordinates |
| **Safety** | freedom from war, poison, violence | work safety, job security, health insurance |
| **physiological** | food water sex | Heat, air, base salary |

According to Maslow, lower needs take priority. They must be fulfilled before the others are activated. There is some basic common sense here -- it's pointless to worry about whether a given color looks good on you when you are dying of starvation, or being threatened with your life. There are some basic things that take precedence over all else.

**These are now discussed one by one:**

1. Physiological Needs: These needs are basic to human life and, thus, involve food, clothing, shelter, air, water and necessities of life. These needs relate to the survival and maintenance of

human life. They exert tremendous influence on human behaviour. These needs are to be met first at least partly before higher level needs emerge. Once physiological needs are satisfied, they no longer motivate the man.

***2. Safety Needs:***

After satisfying the physiological needs, the next needs felt are called safety and security needs. These needs find expression in such desires as economic security and protection from physical dangers. Satisfying these needs requires more money and, thus, the individual is prompted to work more. Like physiological needs, these become inactive once they are satisfied.

***3. Social Needs:***

Man is a social being. He is, therefore, interested in social interaction, companionship, belongingness, etc. It is this socialising and belongingness why individuals prefer to work in groups and especially older people go to work.

***4. Esteem Needs:***

These needs refer to self-esteem and self-respect. They involve such needs which indicate self-confidence, achievement, competence, recognizeledge and independence. The fulfillment of esteem needs leads to self-confidence, strength and capability of being useful in the organisation. On the other hand, inability to fulfill these needs results in feeling like inferiority, weakness and helplessness.

***5. Self-Actualisation Needs:***

This level represents the culmination of all the lower, intermediate, and higher needs of human beings. In other words, the final step under the need hierarchy model is the need for self-actualization. This refers to fulfillment.

The term self-actualization was coined by Kurt Goldstein and means to become actualized in what one is potentially good at. In effect, self- actualization is the person's motivation to transform perception of self into reality.

According to Maslow, the human needs follow a definite sequence of domination. The second need does not arise until the first is reasonably satisfied, and the third need does not emerge until the first two needs have been reasonably satisfied and it goes on. The other side of the need hierarchy is that human needs are unbounded. On the other hand, Maslow's need hierarchy-theory is not without its detractors.

**The main criticisms of the theory involve the following:**

1. The needs may or may not follow a definite hierarchical order. So to say, there might be overlapping in need hierarchy. For example, even if safety need is not satisfied, the social need may emerge.

2. The need priority model may not apply at all times in all places.

3. Researches show that man's behaviour at any time is mostly guided by multiplicity of behaviour. Thus, Maslow's preposition that one need is satisfied at one time is also of doubtful validity.

4. In case of some people, the level of motivation might be permanently lower. For example, a person suffering from chronic unemployment may remain satisfied for the rest of his life if only he/she can get enough food.

Notwithstanding, Maslow's need hierarchy theory has received broad recognition, particularly among practicing managers. This can be attributed to the theory's intuitive logic and easy to understand. One researcher came to the conclusion that theories that are intuitively strong die hard'.

## HERZBERG'S MOTIVATION HYGIENE THEORY:

The psychologist Frederick Herzberg extended the work of Maslow and propsed a new motivation theory popularly recognizen as Herzberg's Motivation Hygiene (Two-Factor) Theory. Herzberg conducted a broadly reported motivational study on 200 accountants and engineers employed by firms in and around Western Pennsylvania.

**He asked these people to describe two important incidents at their jobs:**

(1) When did you feel particularly good about your job, and

(2) When did you feel exceptionally bad about your job? He used the critical incident method of obtaining data.

The responses when analyzed were found quite interesting and fairly consistent. The replies respondents gave when they felt good about their jobs were significantly different from the replies given when they felt bad. Reported good feelings were generally associated with job satisfaction, whereas bad feeling with job dissatisfaction. Herzberg labeled the job satisfiers motivators, and he called job dissatisfies hygiene or maintenance factors. Taken together, the motivators and hygiene factors have become recognizen as Herzberg's two-factor theory of motivation

Herzberg's motivational and hygiene factors have been shown in the Table

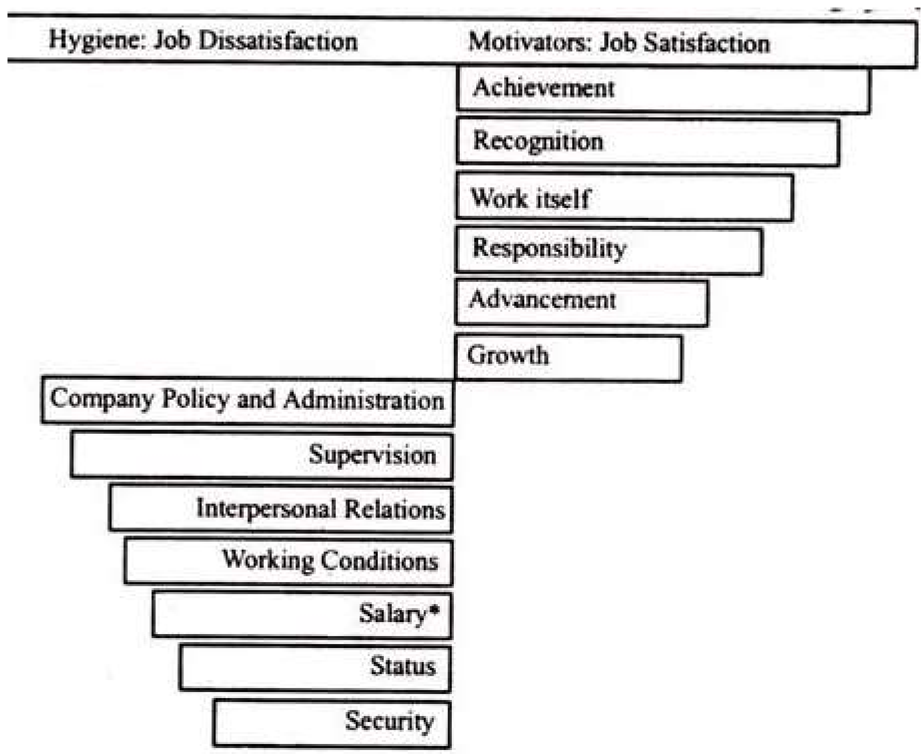



**Fig.8.3**

According to Herzberg, the opposite of satisfaction is not dissatisfaction. The underlying reason, he says, is that removal of dissatisfying features from a job does not necessarily make the job satisfying. He believes in the existence of a dual continuum. The opposite of 'satisfaction' is 'no satisfaction' and the opposite of 'dissatisfaction' is 'no dissatisatisfaction'.

According to Herzberg, today's motivators are tomorrow's hygiene because the latter stop influencing the behaviour of persons when they gain them. Accordingly, one's hygiene might be the motivator of another.

**On the other hand, Herzberg's model is labeled with the following criticism also:**

1. People generally tend to take credit themselves when things go well. They blame failure on the external environment.
2. The theory basically explains job satisfaction, not motivation.
3. Even job satisfaction is not measured on an overall basis. It is not unlikely that a person may dislike part of his/ her job, still thinks the job acceptable.
4. This theory neglects situational variable to motivate an individual.

Because of its ubiquitous nature, salary commonly shows up as a motivator as well as hygiene.

Regardless of criticism, Herzberg's 'two-factor motivation theory' has been broadly read and a few managers seem untaminar with his recommendations. The main use of his recommendations lies in planning and controlling of employees work.

## MCGREGOR'S PARTICIPATION THEORY:

Douglas McGregor formulated two distinct views of human being based on participation of workers. The first basically negative, labeled Theory X, and the other basically positive, labeled Theory Y.

**Theory X is based on the following assumptions:**

1. People are by nature indolent. That is, they like to work as little as possible.
2. People lack ambition, dislike responsibility, and prefer to be directed by others.
3. People are inherently self-centered and indifferent to organisational needs and goals.
4. People are generally gullible and not very sharp and bright.

**On the contrary, Theory Y assumes that:**

1. People are not by nature passive or resistant to organisational goals.
2. They want to assume responsibility.
3. They want their organization to succeed.
4. People are capable of directing their own behaviour.
5. They have need for achievement.

What McGregor tried to dramatize through his theory X and Y is to outline the extremes to draw the fencing within which the organizational man is usually seen to behave. The fact remains that no organizational man would actually belong either to theory X or theory Y. In reality, he/she shares the traits of both. What actually happens is that man swings from one set or properties to the other with changes in his mood and motives in changing .environment.

## REVIEW QUESTION

1. Explain the Motivation.
2. What are the Types of Motivation?
3. Explain Maslow's Need Hierarchy Theory.
4. Explain the Herzberg's motivation hygiene theory.
5. What is Mcgregor's participation theory?

# CHAPTER 9

## COUNSELING

# CHAPTER 9

# COUNSELING

## CHAPTER CONTENTS



## INTRODUCTION

The counseling psychologists are trained professionals whose primary focus is to help and guide persons experiencing mild personal, emotional, and social problems. This branch has many overlapping concerns with the field of clinical psychology. A large number of clinical and counseling psychologists are employed in hospitals, clinics, and educational and vocational institutions.

In many cases, they work in close association with the psychiatrists in treating people with severe emotional disturbances. While psychiatrists treat patients with drugs, counseling psychologists use a variety of cognitive and behavioral management techniques to help clients for achieving personal effectiveness.

## MEANING OF COUNSELING

Counseling is the service offered to the individual who is under going a problem and needs professional help to overcome it. The problem keeps him disturbed high strung and under tension and unless solved his development is hampered or stunted. Counseling therefore is a more specialized service requiring training in personality development and handling exceptional groups of individuals.

According to Willey and Andrew Counseling involves two individuals one skeeking help and other a professionally trained person helped solved problems to orient and direct him to words a goals. Which needs to his maximum development and growth?

Counseling services are there fore required for individuals having developmental problems because of the handicap they suffer in any area of emotional either because of hereditary factors or environment conditions.

Generally such cases are only about five to seven percent in a population and therefore counseling is required only for such a small number. As compared to guidance which is for percent of individuals. Counseling involves a lot of time for the client to unfold the problem, gain an insight in to the complex situation.

Counseling techniques involve active listening, emphatic under standing releasing the pent up feelings confronting the client and so on counseling there fore is offered to only those individuals who are under serious problem and need professional help to overcome it.

Webster's Dictionary-"consultation, mutual interchange of opinion, deliberating together". Strong -"face to face relationship in which growth takes place the counselor as well as the counselee".

Robinson-"The term counselling covers all types of two .person situations in which one person, the client is helped to adjust more effectively to himself and his environment" .Wren-"Counseling is a personal and dynamic relationship between two individuals-an older, more experienced and wiser (counselor) and a younger, less wise (counselee). The latter has a problem for which he seeks the help of the former. The two work together so that the problem might be more clearly defined and the counselee might be helped to a self-determined solution.

Counseling does not come in a cookie-cutter format and each session is generally tailored to the individual. There is flexibility within this type of therapy that allows for a variety of counselling formats, including:

- **Face-to-face** - This is when you make an appointment with a counsellor to see them in person, usually at their practice. Face-to-face sessions are one of the more popular therapy formats because they give an opportunity for you to react to any emotions that arise there and then.

- **Individual or group** - You may choose to see a counsellor by yourself, or if you prefer you could join a counselling group with people experiencing similar issues. Going to a group counselling session can be helpful if you want to discuss your issues with people who are going through similar problems and you may even gain yourself a support network. Alternatively, you may wish to see a counsellor alone to preserve your privacy and concentrate on your own feelings.
- **Telephone counselling** - For some, telephone counselling offers a helpful alternative to face-to-face counselling. This involves talking to your counsellor over the phone instead of in person. This form of counselling can be particularly useful for those too busy to attend face-to-face sessions, and can be carried out in the comfort of your own home. This format also tends to be more flexible and can potentially reduce waiting list times.
- **Online counselling** - Some people prefer not to physically speak to a counsellor at all, utilizing technology and emailing their counsellor instead. This form of counselling allows you to take the time to think through what you wish to discuss, and many find the act of physically writing their issues down cathartic. Online counselling also offers you the chance to protect your anonymity.

## NEED OF COUNSELLING

Counselling is an integral part of an over-all programme of guidance. "Counselling is a specific process of assistance extended by an expert in an individual situation to a needy person". This means the counseling situation arises when a needy person is face to face with and expert who makes available his assistance to the needy individual to fulfill his needs.

**Need of counseling**

There is an urgent need of introducing and strengthening the counseling service in the schools and colleges of our country to satisfy the various needs of the students administrational and the educational system.

1. To help in the total development of the student along with the intellectual development proper motivation and clarification of goals and ideas to pupils in conformity with their basic potentialities and social tendencies are important total development of the student nauseates that individual differences among them are expected, accepted, understood and planned for and all types of experiences in an institution are to be so organized as to contribute to the total development of the student.

2. To help in the proper choices of courses

3. To help in the proper choices of carvers

4. To help in the students in vocational development

5. To develop readiness for choices and changes to face new challenges.

6. To minimize the mismatching between education and employment and help in the efficient use of manpower.

7. To motivate the youth for self employment.

8. To help freshers establish proper identity

Counseling service is needed to help students deal effectively with the normal developmental tasks of adolescence and face life situations boldly.

1. To identify and motivate the students form weaker sections of society.
2. To help the students in their period of turmoil and confusion.
3. To help in checking wastage and stagnation.
4. To identity and help students in need of special help.
5. There are such students as the gifted, the backward the handicapped who need special opportunities. They need special attention and opportunities.
6. To ensure the proper utilisation of time spent outside the classrooms. The manner in which student spend their non class hours clearly affects their success in achieving both academic competence and personal development of all types a positive direction to students should be gived by influencing how they can use those non class hours.
7. To help in talking problems arising out of students population explosion
8. To check migration to prevent brain drain.
9. To make up for the deficiencies of home.
10. To minimize the incidence of indiscipline.

Bargadon has mentioned the following situations where counseling in required:
1. When a pupil requires not only reliable information but also an interesting introspection of those in formations which can solve his personal difficulties.

2. When a pupil needs intelligent listener who has more experience than the pupil to whom he can recite his difficulties and through which can seek suggestions for his working plan.

3. When the counsellor has to assess those facilities which can help in resolving the pupil problems but the pupil doesn't enjoy such an access to those facilities.

4. When the pupil has some problem but he is unaware of that problem and his development, he is to be made aware of that problem.

5. when the pupil is aware of the problem and difficulties created by the problem but he feels difficult to define it and to understand it that is, when the pupil is familiar with the presence of the problem and its nature but he is unable to face the problem due to this temporary tension and distraction.

6. When the pupil suffer the main maladjustment problem or some handicapped which is temporary and which needs careful long due diagnosis by an expert. Majority of students lack a sense of direction, a sense of purpose and a sense of fulfillment and involve in destructive activities which lead to social damage and loss. Adequate guidance and counselling facilities is the only answer to help and guide the youth to worthwhile channels and help them to realize the goals of optimum academic personal and social development. Problems and needs in society are nothing new. But today they seen to be proliferating unprecedented rate. The unique problems in the changing family, cities in up level, conflicts in values, attitudes and moral , the new criticism about politics, economic factors the changing role of work, new pressure and demands on school and the problems of the youth all points out the needs for the counselling services. Guidance and counselling have a challenging role to play in every developing economy much more so if it is a labour surplus one.

## SIGNIFICANCE OF COUNSELING

1.Decision marking construct:- The psychological problems of adolescents can be seen as decision making problems.

2. Conflict:- These decision making problems almost always involve some conflict, either because of factour emotional ambiguities or both.

3. Assertions:- Behaviour is a result at the assumptions, beliefs, and attitudes that one his about himself , others and the world in which her lives.

4. Disconfirmations:-The effects of behaviour following decisions are feed back to the individual perceived and they confirm or disconfirm ascertain to varying degrees.

5. Tension:- When assertions are disconfirmed, tensions result.

6. Redundancy:- Tensions inhibit the ability of an individual to reexamine his assertions and attempt to confirm them and thus they cause redundant behaviour.

## AIMS OF COUNSELLING

1. To bring about the desired changes in the individual for self realisation.

2. To give assistance to solve problems through an intimate personal relationship.

3. To achieve positive mental health.

4. To help students to make proper and satisfactory adjustments for improved academic pursuits and useful life.

## REVIEW QUESTION

1. Explain the Meaning of Counseling.
2. Why counseling is needed?
3. What are the Significances of counseling?
4. Explain the Aims of counseling.

# CHAPTER 10

## INNCENTIVE

# CHAPTER 10

# INCENTIVE

## CHAPTER CONTENTS



## INTRODUCTION

Incentives refer to the variable records granted to the individuals in terms of changes in specific results in organisational setting incentives incite the people towards action According to George R Terry, incentives means that which incites or has tendency to incite action They are devised to play a causal role in conjunction with rewarding the effect In simple words, incentives means that psychological excitement which makes the employees efficient Normally the employees need the incentives to achieve the objectives Security in job, recognition, promotion, respect, praise, minimum wages promise are the examples of incentives

## MEANING OF INCENTIVE

An incentive is an object, item of value or desired action or event that spurs an employee to do more of whatever was encouraged by the employer through the chosen incentive.

Incentives matter enormously in any study of microeconomics, markets and market failure. For competitive markets to work efficiently economic agents (as in consumers and producers) must respond to price signals in the market.

Incentive is considered to be incentive management systems. Traditionally, incentive has been thought of as payment plans based on the output of the employee, generally considered to be a factory employee. But incentive wage systems of today go far beyond the simple single objective of payment for output. Now-a-days incentive wage systems are so designed that the employee feels satisfied intrinsically as well as extrinsically.

**Fig.10.1**

Incentive relates earnings to productivity and may use premiums, bonuses or a variety of rates to compensate for superior performance-(Dale Yoder, 1974).

Thus, the incentive plans offer an attraction of extra payment for efficiency or more production. They are popular all over the world and are recognizen by different names like variable pay, pay for performance, contingent pay, merit pay etc.

## OBJECTIVES OF WAGE INCENTIVE PLANS

The objectives of incentive wage systems have been made clear by McGregor when he defines them as “a formal method providing an opportunity for every member of the organization to contribute his brain and ingenuity as well as his physical efforts to the improvement of organizational effectiveness… It is the means through which rich opportunities are gived to every member of the organization to satisfy his higher level needs through efforts directed towards the objectives of the enterprise.”

## BENEFITS OF INCENTIVE COMPENSATION

Incentive compensation, also called ‘payment by result’, is essentially a managerial device for increasing workers’ productivity. Simultaneously, it is a method of sharing gains in productivity with workers by rewarding them financially for their increased productivity. The advantage of incentive plans are as under:

1. Alignment between Organization’s Objectives and Employees’ Objectives. The employee tries to increase productivity which is also the aim of the organization.
2. Wage Get Related to Output. Differences in employees’ ability, motivation and output are automatically recognized and rewarded accordingly. This understanding by the employees tends to reduce the friction, jealousy, and resentment in the work group.
3. Unit Labor Costs are reduced. Incentive wage plans result in reduction of per unit labor, both direct and indirect, costs as the efficiency is emphasized on.
4. Need for Less Supervision. Employees need lesser supervision as the employees are disciplined and responsible.
5. Good Human Relations. There are good human relations in the firm as the workers are satisfied with higher earnings and management with increased productivity.

## LIMITATIONS OF INCENTIVES COMPENSATION

Except employee’s attitudes, all other limitations of incentive wage systems centre around situations involving the firm. These limitations are briefly discussed below:

1. Lack of Receptive Attitude on the Part of the Management and the Employees: The proper functioning of the system required existence of mutual trust between labors and management. If workers think that high, unattainable targets have been fixed, and/or

management thinks that workers are not putting in their best efforts, the system is going to fail.

2. Lack of proper Management Practices: For incentives wages to be equitable, working condition must be as nearly standard, uniform, and dependable as possible. They should be available to all employees. Management must make sure that enough work will be gived to workers so that maximum wages can be earned by them. As most of these sound management practices are absent, wage incentive systems also become less beneficial.
3. Leads to Inequities in the Wage Structure: All the jobs in an organization can be divided into two types manual jobs and physical jobs. Performance of physical jobs is not that easily identifiable so they are paid according to straight time basis. Many times, incentive pay systems result in situations where hardworking but low skilled employees working on incentive pay jobs earn more than the more skilled employees working on jobs for which payment is made according to straight time wages. These pay inequities can destroy social relationships, build resentment and animosity among employees.

## TYPE OF INCENTIVE

The term incentive means an inducement which rouses or stimulates one to action in a desired direction. An incentive has a motivational power; a large number of incentives the modern organisations use to motivate their employees might be broadly grouped into (i) financial incentives, and (ii) non-financial incentives.

**These are discussed one by one:**

**1. Financial Incentives:**

Money is an important motivator. Common uses of money as incentive are in the form of wages and salaries, bonus, retirement benefits, medical reimbursement, etc. Management needs to increase these financial incentives making wages and salaries competitive between various organisations so as to attract and hold force.


**Fig.10.2**

Money plays a significant role in satisfying physiological and security/social needs. As money is recognized as a basis of status, respect and power, it also helps satisfy the social needs of the people. It is important to mention that once the physiological and security needs are satisfied, money ceases to be motivator. Money then becomes, what Herzberg termed, hygiene and maintenance factor.

The presence of hygiene factor, of course, prevents job dissatisfaction but do not give 'on the job satisfaction' to the employees in the organisation. In such case, money cannot be considered as motivator. Then, in order to motivate employees, according to Herzberg, it is necessary to give other incentives for the satisfaction of ego, status, and self-actualization needs.

On the other hand, these needs are experienced generally by employees working at higher levels in the organisations. People in higher positions getting higher monetary rewards are not motivated by increased monetary rewards. Yes, they might be motivated by money only when increase is large enough to raise their standard of living and status in the society to which they belong to.

What follows from above discussion can be summed up as that money is not the only motivator and also it is not always a motivator. In order to satisfy different kinds of human needs, management needs to give non-financial incentives such as job enlargement, participative management, recognition, praise, etc. These also motivate employees at their works.

**2. Non-Financial Incentive:**

Man is a wanting animal. Once money satisfies his/her physiological and security needs, it ceases to be a motivating force. Then, higher order needs for status and recognition and ego in the society emerge.

**The following non-financial incentives help management satisfy its employees' these needs:**

**1. Appreciation of Work Done:**

Appreciation or praise for work done be it at home, at school/ university or at work place, serves as an effective non-financial incentive. Appreciation satisfies one's ego needs. On the other hand, managers need to use this incentive with great degree of caution because praising an incompetent employee may create resentment among competent employees.

**2. Competition:**

If there exists, a healthy competition among the employees both at individual and group levels, it will prompt them to exert more to achieve their personnel or group goals. Thus, competition serves as a non-financial incentive for employees to put in more efforts at their works.

**3. Group Incentives:**

Sometimes, group incentives act as more effective than individual incentives to motivate the employees. Particularly, when the prestige or even existence of a group is at stake, the group members work with a team spirit. This results in high morale and, in turn, increases in its productivity.

**4. Recognizeledge of the Results:**

Recognizeledge of the results of work done leads to employee satisfaction. An employee derives satisfaction when his/her boss appreciates the work he/she has done just as an MBA student gets satisfaction when his/her Professor appreciates the seminar he/ she presented in the class.

**5. Worker's Participation in Management:**

Inviting workers to participate in management gives worker's a psychological satisfaction that their voices are also heard. This imbibes a sense of importance among the workers.

**6. Opportunity for Growth:**

Man is not only a wanting animal but an ambitious creature also. People always need to grow in their career. So, if the employees are gived proper opportunities for growth and career advancement and chance to develop their personality, they feel much satisfied and become more committed to the organizational goals.

**7. Suggestion System:**

Suggestion system is yet another non-financial incentive to be used to motivate employees. Following this, some organisations make use of cash awards for giving useful suggestions. They sometimes publish the worker's name with his/her photograph in the company's magazine with a motive to encourage other workers to search for useful suggestions for the company. Thus, suggestion system acts as an incentive for the workers to be in search of something useful for the company.

**8. Job Enrichment:**

Job enrichment simply means adding the contents to a job leading to increased responsibility, scope and challenge in its performance. Particularly, the executives working at the higher levels often prefer to job enrichment because it makes job more challenging.

They derive higher satisfaction by performing more and more challenging jobs. Thus, job enrichment as an incentive motivates the executives to exert for accomplishment of their goals. Job enrichment is a by-product of job design which is discussed subsequently.

## PROBLEMS WITH INCENTIVES

Incentives can be tricky for employers. Depending on what is incentivized, employers can encourage teamwork and cooperation or damage it. If you give an individual sales incentive to sales staff, for example, you guarantee that your sales force will not work together to make sales.

Alternatively, give a team incentive and employees will follow up each other's leads, share best methods, and work as a team to make sales.

Traditionally, manufacturing companies incentivized productivity or achieving quantity targets. They found that unless they added the quality back into the equation, they were delivering shoddy, poor quality parts—although lots of them.

When you design an incentive program, make sure you are rewarding the actual behaviors that you wish to incentivize. It is so easy to emphasize the wrong behaviors—often unwittingly.

## HOW TO GIVE INCENTIVES

Reward and recognition activities that are transparent work to build trust with employees. If criteria or the recognition process are secret, if they appear to only recognize **pet** employees, or if they are arbitrary, you risk alienating and demoralizing employees.

Consequently, for successful use of incentives, employers need to:

- Make sure that all employees understand the objectives the employer has in offering incentives.
- Ensure that the criteria for obtaining the incentives are clearly spelled out.
- Communicate the specific criteria to all employees. Give examples so that employees understand what you are seeking and share your picture of success
- State the timeline and allow a certain amount of time for employees to accomplish the actions that you'd like to see when you communicate the incentives criteria.
- Reward every employee who achieves the expectations.
- Tell the employees exactly why their contribution made them eligible to receive the incentive.
- You can magnify the power of the incentives you give by writing a letter to the employee that gives thanks to him or her for their contribution. You can also announce all of the recipients of the incentive at a company satisfying and personally thank each recipient.

### REVIEW QUESTION

1. Explain the Meaning of incentive and Objectives Of Wage Incentive Plans
2. What are the Benefits of Incentive Compensation?
3. What are the Limitations of Incentives Compensation?
4. Explain Type of Incentive.
5. What are the main Problems with Incentives and How to Give Incentives?

# CHAPTER 11

## PAYMENT

# CHAPTER 11

# PAYMENT

## CHAPTER CONTENTS

- Introduction
- Different Modes or Types of Payment
- Payment methods
- How to choose a payment method
-

## INTRODUCTION

A **payment** is an amount of money that is paid to someone, or the act of paying this money. A payment is the trade of value from one party to another for goods, or services, or to fulfill a legal obligation. Payment can take a variety of forms. Barter, the exchange of one good or service for another, is a form of payment.

The way that a buyer chooses to compensate the seller of a good or service that is also acceptable to the seller. Typical payment methods used in a modern business context involve cash, checks, credit or debit cards, money orders, bank transfers and online payment services such as PayPal.

A payment is the transfer of one form of good, service or financial asset in exchange for another form of good, service or financial asset in proportions that have been previously agreed upon by all parties involved. Payment can be made in the form of funds, assets or services.

## DIFFERENT MODES OR TYPES OF PAYMENT

The **payment** can be made in many **different ways** like by giving Cash, doing Telegraphic Transfer or Mail Transfer, via Money Order or Postal Order, Bill of Exchange, Promissory Note, Cheque, Bank Draft, etc.

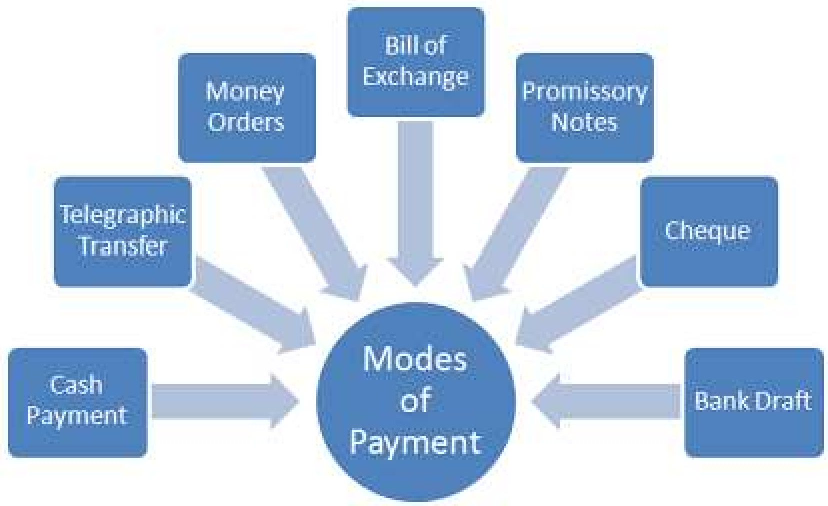



**Fig.11.1**

**1. Cash Payment-**This is one of the oldest modes of payment. In this case, the buyer pays money in the form of notes and coins to the seller. The seller on receipt of cash, issues cash memo or cash receipt. This mode of payment is suitable only for small transactions.

**2. Telegraphic Transfer or Mail Transfer-**In this system, the payer deposits the money along with other charges in a bank which has a branch office at the payee's place. On receipt of cash and other charges, the bank telegraphically informs the branch office to credit the amount to the payee's A/C. The payee is accordingly informed and can withdraw the money. The money can also be remitted by mail transfers, which takes a little longer time. This method helps for quick remittance, but it is not a popular one.

**3. Money Order or Postal Order-**Payment can also be remitted through money orders and postal orders. Businessmen may prefer more of postal orders because a large number of postal orders can be collected and encashed at a time. Postal order is safer than a money order. Postal orders can be crossed for safety purpose. On the other hand, traders normally do not use this method of payment.

**4. Bill of Exchange-**According to the Section 5 of Indian Negotiable Instruments Act, 1881, "A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person to the bearer of the instrument."

Some **Advantages of Bill of Exchange** are :-

The holder of the bill can receive the money even before the due date of bill, by discounting the bill with his bank.

The bill can be transferred to another person.

It enables the buyer to purchase the goods without making actual payment. He accept the bill & make payment at a later date.

**5. Promissory Note-**A promissory note is an instrument in writing (not being a bank note or e currency note) containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of a certain person, or to the bearer of the instrument.

**6. Cheque**-Every businessman has a bank account to facilitate his business transactions. When the bank account is opened, the bank gives a cheque book for making payments. cheque payment is a convenient and safer mode of payment. To ensure safety the cheque might be crossed generally or specially, so that the payment to a wrong person is prevented.

**7. Bank Draft-**A Bank Draft is defined as "An order to pay money, drawn by one office of a bank upon another office of the same bank for a sum of money payable to order on demand."

Bank drafts are often used for the purpose of transferring funds from one place to another within a country or from one country to another.

A bank draft is an order given by one bank upon another of its branch bank situated elsewhere to pay a certain sum of money.

The contents of bank draft are more or less that of a cheque, but it is signed not by the payer but by the banker.

## PAYMENT METHODS

Payment methods are the ways that your customers can pay for your goods and services. It is important to consider what payment methods you will offer when you start your business, and review it regularly to see if you are keeping up with your customer's payment preferences and if you are satisfying the needs of your business and customers.

When starting your business, you need to decide how you will collect payment from customers as part of managing your business finances. This is an important aspect of ensuring you manage the cash flow of your business effectively. The payment methods you choose will also determine the facilities your business will need.

It's also a good idea to periodically review the payment methods you offer based on cost, as costs can often reduce if a payment method becomes more popular.

Some examples of payment methods involve:

1. credit and debit card payments
2. direct debit payments
3. EFTPOS payments
4. online payments (eg Paypal)
5. cash
6. cheque
7. money order payments
8. gift cards and vouchers

**1. Credit and debit card payments**

Credit and debit cards are cards issued by the bank or financial institution that let your customers pay for goods and services. A credit card lets your customers pay for your goods and services by incurring a debt with a credit card giver. Debit cards deduct the amount of money from a sale from a customer's bank account.

The difference between a credit and debit card is not usually important for running a business. On the front, credit and debit cards have an issue date, expiry date and credit or debit card number. On the back, they usually have a security code and signature.

Some debit and credit cards have a chip for contactless payments using technologies such as MasterCard PayPass and Visa PayWave. Credit and debit often have a Personal Identification Number (PIN) that customers need to use to authorise payments, although this can depend on the purchase amount.

**Benefits of credit and debit card payments**

Credit and debit cards have several advantages over other payment methods that can be used by your business. Check out these examples:

- **Low labour costs**

  After short delays, debit and credit card payments go directly into your bank account. You don't need to pay people or spend time to bank them.

- **Less risk of theft**

  Credit and debit card payments go directly into your bank account, so there's less risk of theft.

- **Fast transaction speed**

Credit and debit card payments are very fast to process.

- **Proof of payment**

  Credit and debit card givers keep records, which act as proof of payment. Proof of payment can help resolve disputes.

- **Convenience**

  Some customers may prefer credit and debit card payments due to convenience.

- **Can be automatic**

  Credit and debit card payments can be more efficient, since they can be automatic.

### Disadvantages of credit and debit card payments

Credit and debit have several disadvantages over other payment methods. Consider these examples:

- **Service fees**

  Processing credit and debit card payments usually requires paying service fees to banks, credit unions or online third-party payment services.

- **Transaction fees**

  Some credit and debit card givers may charge you a fee per transaction.

- **Lack of privacy**

  Credit and debits cards create a record of each transaction. Some customers may prefer cash for private goods and services, such as medications.

- **Reliance on electrical and telecommunication infrastructure**

  Processing credit and debit card transactions requires electricity and sometimes needs access to a phone network. Cash might be more reliable if these services are unavailable or unreliable.

- **Customers can challenge credit and debit card payments**

  Dissatisfied customers may challenge debit and credit payments.

- **Reputational risk**

  Mishandling credit or debit information can damage your business' reputation. Make sure you keep all customer data private and secure.

- **Technical problems**

  Machines to process credit and debit card payments can malfunction.

### Processing credit and debit card payments

There several different ways you can process credit and debit card payments. Check out these examples:

a) **Online-** Credit and debit card payments let you sell your goods and services online. Processing a credit or debit card payment online usually requires the card's expiry date, security code and credit or debit card number. Check our **Online payments** page to learn more.

b) **Point of sale-**You can accept debit and credit card payments at the point of sale using certain types of EFTPOS machines. Processing payments at the point of sale usually requires scanning the card and getting the customer to type in their passcode. Read our **EFTPOS payments** page to learn more.

c) **Over the phone-**You might be able to accept credit card payments over the phone

d) **By mail-**You can accept credit and debit card payments by mail. Processing a payment by mail usually requires getting your customers to write the card's security code, expiry date and debit or credit card number on a form.

Remember, regardless of how you process credit and debit card payments you need to make sure you keep your customers personal and payment details secure.

**2. Direct debit payments**

Direct debit is an automatic payment that happens periodically after a customer requests it. It automatically transfers money from your customer's bank account to your bank account.

Becoming a direct debit user requires already having an established business. Direct payments are fast. As long as you file requests within the cut-off time, funds are within your account by 9.00am the next business day.

### Benefits of direct debit transfer

Direct debit payments can have advantages over other forms of payments. Check out these examples:

- **Convenient for recurrent payments**

  Direct debit payments are convenient for recurrent payments.

- **Low labour costs for recurrent payments**

  Direct debit payments have low labour costs for recurrent payments.

- **Lower risk of theft than cash**

  Since payments go directly into your account, direct debit has less risk of theft than cash.

- **Automatic**

  Direct debit payments are automatic, so they can be more convenient and less risky than manual forms of payment, such as EFTPOS and cash.
- **Fast transaction speed**

  After you set them up, direct debit payments are fast.
- **Proof of payment**

  Direct debit payments give proof of payment to you and your customers, which can help avoid disputes.

### Disadvantages of direct debit transfer

Direct debit payments have some disadvantages over other payment methods. Check out these examples:

- **Inconvenient for one-off payments compared to EFTPOS and cash**

  Direct debit requires gaining authorisation from your customer and waiting for your bank to organise payment from your customer's bank. Most of the benefits of direct debit also don't apply for one-off payments. Direct debit is most suitable for recurrent payments.
- **Service fees**

  Your or your customer's financial institution may charge fees to process direct debit payments.
- **Might be unavailable for new businesses**

  Becoming a direct debit user requires your business to have adequate financial strength, integrity and fraud controls.

### Processing direct debit payments

If you want to set up direct debit payments, try these steps:

a) Make sure your business is financially stable and has good fraud controls to protect your customers.

b) Apply to become a direct debit user through your financial institution. Your financial institution is your bank, building society or credit union. Your financial institution will check your business' financial strength, integrity and reliability.

c) If your financial institution approves your request, your business will get a unique user identification number that will let you set up direct debit payments.

d) Let your customers recognize you offer direct debit. If they want to use it, your customers might request to pay by direct debit.

e) Put your customer's request in an electronic file.
f) Send the electronic file to your financial institution. Your financial institution will process your customer's request and send a copy of the request to your customer's financial institution.
g) If your customer's request is successful, your customer's financial institution will begin automatically paying money into your account.
h) Give your customers with a receipt and/or a GST tax invoice if they request one.

**3. EFTPOS payments**

Electronic funds transfer at the point of sale (EFTPOS) is a payment system that lets your customers pay directly into your bank account using an EFTPOS machine using a plastic card, such as a bankcard, credit card or debit card.

### Benefits EFTPOS payments

As well as disadvantages, EFTPOS payments have several advantages. Check out these examples:

- **Lower labour costs than cash**
  EFTPOS payments go directly into your account, so there are lower labour costs since people don't have to handle money or record cash receipts.
- **Low risk of theft**
  Since EFTPOS payments go directly into your account, they have a lower risk of theft than cash.
- **Fast transaction speed**
  EFTPOS payments are fast to process.
- **Proof of payment**
  EFTPOS automatically creates a record of payment, which can help avoid disputes.
- **Convenience**
  Some customers may find EFTPOS convenient, as they don't need to carry large amount of cash.

### Disadvantages EFTPOS payments

EFTPOS payments are not free and have some disadvantages over other payment methods. Consider these examples:

- **Service fees**

Your financial institution often charges service fees if you want to offer EFTPOS payments.

- **Transaction costs**

  Your financial institution may charge you a fee per transaction.

- **Lack of privacy**

  EFTPOS payments automatically create a record of each transaction. Customers may prefer cash for private goods and service, such as medications.

- **Reliance on electrical and mobile phone infrastructure**

  EFTPOS transactions require electricity and sometimes need access to a mobile phone networks. Cash might be more reliable if these services are unreliable or unavailable.

- **Technical problems**

  EFTPOS machines can malfunction.

### Processing EFTPOS payments

If you want to offer EFTPOS payments, check out these steps:

a) Shop around for the best EFTPOS giver for your business. It is a good idea to think about what EFTPOS machines cost and how their features may increase your sales volume.

b) Buy EFTPOS access from the best EFTPOS giver for your business.

c) Let your customers recognize that you offer EFTPOS. If they want to use it, they may ask to pay using it when finalising the sale.

d) After a customer offers to buy your goods or services, let your customer recognize how much the goods and services cost.

e) Follow the instructions for your EFTPOS machine from your EFTPOS giver. You usually need to enter the payment amount into the machine, scan a card and get your customer to type in a passcode. Newer machine and cards may let customers without typing in their passcode using technologies like Mastercard's PayPass and Visa's PayWave.

f) Give your customers with a receipt and/or a GST tax invoice if they request one.

### 4. Online payments

Online payments let your customers pay for your goods and services through your website.

### Benefits of online payments

As well as disadvantages, online payment methods have several advantages. Read these examples:

- **Low labour costs**

  Since online payments are usually automatic, they have lower labour costs than manual payment methods, such as cheque, money order, cash and EFTPOS.
- **Convenience for online sales**

  Online payment methods allow conveniently selling goods and services online.
- **Automatic**

  Online payments can be automatic, which can be convenient for you and your customers.
- **Fast transaction speed**

  Online transactions quickly give feedback to you and your customers.
- **Low risk of theft**

  After processing delays, online payments generally go straight into your bank account, so they have a low risk of theft.

### Disadvantages of online payments

Online payment methods have several disadvantages. Check out these examples:

- **Service fees**

  Payment gateways and third-party payment processors charge service fees.
- **Inconvenient for offline sales**

  Online payment methods are inconvenient for offline sales.
- **Vulnerability to cybercriminals**

  Cybercriminals can disable online payment methods or exploit them to steal people's money or information. Visit the Australian Cybercrime Reporting Network's Learn about cybercrime page to learn more about cybercrime.
- **Reliance on telecommunication infrastructure**

  Internet and server problems can disable online payment methods.
- **Technical problems**

  Online payment methods can go down due to technical problems.

### Processing online payments

Online payments are usually automatic. Check out this example:

a) Your business has a website with online purchase facilities to sell your goods and services.

b) A customer visits your website and finds some products they want to buy.

c) The customer checks out the products from your website and goes to the payments section.
d) Your website lets your customer recognize the total cost of the products they want to buy as well as their payment options.
e) The customer selects and completes their preferred payment method.
f) Your website automatically sends your confirmation of payment to you and your customer and sends a request to your business to ship the product.
g) Your website automatically gives your customer a receipt and/or a GST tax invoice. If GST applies, you must give a GST tax invoice within 28 days if your customer requests one.

**5. Cash payments**

A cash payment refers to when customers pay using physical currency, such as notes and coins.

### Benefits of cash payments

Allowing cash payments for your goods and services has several benefits. Check out these examples:

- **Privacy**

  Cash payments don't automatically leave records. Customers may prefer cash payments when buying private goods or services, such as pharmaceuticals and medical services.
- **Convenience**

  Cash doesn't require authorisations like typing in PIN codes.
- **Reliability**

  Cash payments are possible in locations without electricity and aren't vulnerable to technical problems, such as broken EFTPOS machines.
- **Low setup costs**

  Unlike other payment methods, cash payments don't have the set up costs of payment methods like online payments and EFTPOS. On the other hand, you still need to consider the potential cash handling and labour costs associated with taking cash.

### Disadvantages of cash payments

Processing cash payments isn't free. It costs money because of labour costs, service fees and losses due to theft. Check out these examples:

- **High labour costs**

If you receive lots of cash, labour costs are high. You have to spend a lot of time and money on activities such as counting cash, bookkeeping and banking.

- **High risk of theft**

  Cash has a high risk of theft. Cash is hard to identify and there is no automatic record if someone steals it. Because of this, cash sales can attract thieves. Both employees and non-employees can steal cash.

- **Risk of counterfeit and fraud**

  There is a risk of receiving counterfeit cash, that is that it looks like cash but is not legal Australian tender.

- **Small service fees**

  There can be small service fees for banking when processing cash payments, although this depends on your bank or financial institution.

- **No automatic proof of payment**

  There is not automatic proof of payment if someone pays in cash. This can make resolving disputes difficult.

## Processing cash payments

Cash payments are useful for low value items or if other payment methods are unreliable. To process cash payments, follow these example steps:

a) Let your customers recognize the total cost for the goods and services they want to buy. If you display or advertise prices, it is an offence under the Australian Consumer Law if you supply your goods or services for more than the lowest advertised price. Read our Pricing and Pricing regulations pages.

b) Receive the cash from your customers.

c) Give your customers change if they overpay.

d) Give your customers with a receipt and/or a GST tax invoice if they request one. If GST is applied, you must give a GST tax invoice within 28 days if your customer requests one.

e) Keep your cash stored securely. A Cash Register is often used to ensure only authorised people can access it and can help you record your sales transactions.

f) Bank the cash at the end of a sales period. During banking, it is a good idea to make sure you have enough change for the next sales period. Banking can earn interest and help protect your cash from theft.

**6. Cheque**

A cheque is a document that tells a bank, credit union or building society to pay you money from another person's account. A cheque can bounce if a customer's account doesn't have enough money to cover the payment. Cheques can also bounce if there are other problems, such as suspected fraud. If a cheque bounces, your business won't get the money.

### Benefits of cheques

Cheques can have some advantages over other payment methods. Check out the following examples:

- **Less risk of theft than cash**

  It is not a good idea to send money through the mail, since people can steal it. Cheques are harder to steal than cash since only the person who is on the cheque can receive the funds.

- **Preferred by some customers**

  Some customers may prefer paying using cheque.

- **Proof of payment**

  A cheque gives proof of payment. This can help avoid disputes.

### Disadvantages of cheques

Cheques are a traditional payment method with higher costs than electronic payment methods. Have a look at these examples:

- **Higher labour costs than electronic payment methods**

  Cheques increase labour costs. To bank them, you have to pay people or spend time. They also increase bookkeeping costs because you have to keep track of the debt, when a cheque is received and when you bank it

- **Debt collection costs**

  Since cheques can bounce, there can be debt collection costs. Read our Debt collection services page to find out more about debt collection services.

- **Lost time compared to electronic payment methods**

  Cheques are slower to process than electronic payment methods.

- **Higher risk of bouncing compared to money orders**

  Money orders are prepaid and so have less risk of bouncing than cheques.

### Processing cheques

Check out these steps for an example of how to process cheque payments:

a) Record a customer's debt after you accept a customer's offer to buy your goods or services. You can send an invoice to let your customers recognize how much your goods or services cost. Read our page to learn more about invoices.
b) Receive the cheque from your customer. It is okay to receive cheques in person or by mail.
c) Give the cheque to your bank, building society or credit union. Sometimes, you have to show identification when you hand in the cheque, such as a driver's license.
d) For Australian cheques, wait around three business days for the cheque to clear or bounce. International cheques can take longer.
e) If the cheque bounces, let your customer recognize and request payment again. Read our Debt collection services page to learn more managing unpaid debts.
f) Give your customers with a receipt or a GST tax invoice if they request one. If GST applies, you have to give a GST tax invoice within 28 days if your customer requests one.
g) If the cheque clears, record that your customer has paid their debt.
h) If you have not already done it, deliver the goods or services to your customer.

**7. Money order payments**

A money order is a document that tells a bank, credit union, building society or post office to pay you money. Unlike cheques, money orders are prepaid. Money orders can't bounce due to insufficient funds since they are prepaid, but they can bounce due to others problem, such as suspected fraud. If a money order bounces, your business won't receive the money.

## Benefits of money orders

There are some advantages of money orders over other payment methods, for example:

- **Less risk of theft than cash**

  It's not a good idea to send cash through the mail, as it can get lost or stolen. Money orders are harder to steal than cash since only authorised people can process them.

- **Preferred by some customers**

  Some customers may prefer money order.

- **Less risk of bouncing than cheques**

  Since money orders are prepaid, they have less risk of bouncing than cheques.

- **Proof of payment**

  A money order gives proof of payment. This can help avoid disputes.

### Disadvantages of money orders

Money orders are not free to process. Check out these examples:

- **Higher labour costs than electronic payment methods**

  Money orders increase labour costs. To bank them, you have to pay people or spend time. They also increase bookkeeping costs because you have to keep track of debts when a money order is received and if you have banked them.
- **Debt collection costs**

  Money orders can bounce, so there can be debt collection costs.
- **Lost time compared to electronic payment methods**

  Money orders are slower to process than electronic payment methods.

### Processing money orders

Read these steps for an example of how to process money orders:

a) Record a customer's debt after you accept a customer's offer to buy your goods or services. You can send an invoice to let your customers recognize how much your goods or services cost. Find out how to create an invoice.

b) Receive a money order from your customer.

c) Bank the money order to your bank, building society or credit union. Sometimes, you have to show identification when bank the money, such as a driver's license.

d) Wait around three business days for money orders from Australia to clear or bounce. It often takes longer for international money orders to clear or bounce.

e) If the money order bounces, let your customer recognize and request payment again. Read our Debt collection services page to learn more about settling unpaid debts.

f) Give your customers with a receipt or a GST tax invoice if they request one. You have to give a GST tax invoice within 28 days if your customer requests one.

g) If the money order clears, record that your customer has paid their debt.

h) If you have not already, deliver the goods or services to your customer.

**8. Gift cards and vouchers**

A gift card is a card with a pre-paid amount of money on it that your customers can use instead of other payment methods such as credit card and cash. Some gift cards only work at a specific business or group of businesses. For example, a gift card from a shopping centre may only work at businesses within that shopping centre. Others work anywhere credit card is accepted.

### How do gift cards and vouchers work?

Typically, a customer buys a gift card or voucher from your business or a third-party retailer. After a customer buys the gift card or voucher, it becomes redeemable for goods and services of a value up to the amount of money on it. Customers usually buy gift cards and vouchers to give as gifts to other people on occasions such as for Christmas and birthdays. Unless there's an incentive, such as a discount, most customers don't buy gift cards for themselves.

Your business may offer customers the ability to purchase gift cards or vouchers to encourage sales. The giving of gift cards and vouchers to friends and family by your existing customers may help bring in new customers and expand your customer base. It may also help retain your existing customers by increasing customer satisfaction and loyalty by offering gift cards or vouchers as a payment option.

The main benefit to your customers in offering gift cards is that it allows them to give an amount for the purchase of product or service from your business, enabling the gift recipient to personally select what they want to get with the amount.

### Benefits of gift cards

As well as disadvantages, gift cards have several advantages over other forms of payment. Check out these examples:

- **No credit risk**

  Gift cards and vouchers are prepaid, so there is no risk that customers won't pay their debts.
- **Preferred by some customers**

  Some customers may prefer it if you offer gift cards or vouchers. Gift cards can allow customers to pre-pay an amount that they can give as a gift to friends or family to give them the choice of the specific good or service they want from your business.
- **Useful for marketing activities**

  Gift cards can be useful promotional tools to encourage sales around gift giving occasions such as Christmas. You may also have gift cards linked to your customer loyalty programme. For example, you could distribute gift cards to your customers once they have reached a certain number of points on a loyalty programme.

### Disadvantages of gift cards

Gift cards are similar to cash and have several disadvantages over other payment methods. Consider these examples:

- **Risk of customer dissatisfaction if lost, stolen or damaged**

  Since anyone can use them, gift cards have a high risk of loss or theft like cash. Some gift vouchers are paper based, so customers may damage them easily. Losing a gift card or voucher may also dissatisfy customers.
- **Customer dissatisfaction due to expiry date**

  A gift cards and voucher often has an expiry date. I t may dissatisfy customers if they are unable to use it before the expiry date.
- **No automatic proof of purchase**

  Gift cards don't usually give an automatic proof of purchase, which can create disputes.
- **Reliance on electrical and telecommunication infrastructure**

  Processing gift cards often requires an EFTPOS machine. EFTPOS machines require electricity, telephone or Internet access, so you can't processing gift card or vouchers if required electrical or telecommunication infrastructure is down.
- **Technical problems**

  EFTPOS and computer systems for processing gift cards can malfunction.

## Processing gift cards

Processing a gift cards and voucher varies depending whether you sell it directly to your customers or if it is from a third-party retailer. If your business plans to sell gift cards or vouchers directly, check out these example steps:

a) Let your customer recognize you sell gift cards or vouchers.

b) When a customer asks to purchase a gift card or voucher, let them recognize about any terms and restrictions that apply. There is a legal requirement that you must clearly state the terms and restrictions of any gift cards before you sell them. Read the Australian Consumer and Competition Commission's Discount and gift vouchers page to learn more.

c) When a customer buys a gift card or voucher, record receiving the money and an unearned income liability for the value of the goods or services you might have to supply if someone redeems the gift card.

d) When someone redeems a gift card or voucher, lower the amount on it. If there is an amount still available on the card, return the card to the customer and tell them the balance. Give them card or voucher holder with the goods or services they have requested.

e) After you have supplied the goods or services, record sales revenue and reduce the unearned income liability by the value of the goods or services your business supplied.
f) If you recognize that a gift card or voucher that you have sold has expired, you can write off the unearned revenue liability and record the amount that was on the gift card sale as income.

If a customer wants to use a third-party retailer's gift card, try these steps:

I. Let a customer recognize the total value of the goods or services they want to buy. If you display or advertise prices, it is an offence under the Australian Consumer Law if you supply your goods or services for more than the lowest advertised price. Read our Pricing and Pricing regulations pages to more about pricing.
II. If your customer wants to use a gift card, process the sale using your EFTPOS machine. Read to our EFTPOS page to learn more about EFTPOS payments.
III. Give your customers with a receipt or a GST tax invoice if they request one. If GST applies, you have to give a GST tax invoice within 28 days if your customer requests one.

## HOW TO CHOOSE A PAYMENT METHOD

Each payment method has different advantages and disadvantages. No one type of payment is best. The best payment method depends on the needs of your business.

When choosing payment methods, think about how their advantages and disadvantages affect your customers and your business operations.

For example, cash can be anonymous and reliable, but also expensive to handle and has a higher risk of theft. On the other hand, EFTPOS is quick and has a lower risk of theft, but it requires electricity, specialized equipment and a fee for the service.

Check out these questions when choosing a payment method:

- How do your clients customers prefer to pay for your goods or services?
- Do you need quick access to business funds to keep your business moving forward?
- Will you have to follow up with customers for payment of your goods or services?
- What costs are involved for each payment method?
- Is there a delay between purchasing and distributing your inventory and receiving payment?

Some of the things you will need to consider when choosing a payment method for your business involve:

- **Customer preference** – Choosing a payment method your customers prefer will make them more likely to pay you on time. The most common payment method is through electronic credit and debit cards. For example, there has been a 42% growth in Paywave and other tap-and-go accounts and 74% of all MasterCard in-store transactions are now contactless.
- **Risk** – For example, cash has a higher risk of theft since it doesn't go directly into your bank account. There's also more risk of mistakes.
- **Privacy** – Different payment methods are more private. For example, credit cards automatically record transactions. Some customers might prefer to pay cash for certain goods and services, such as medication, for privacy reasons.
- **Service fees** – For example, EFTPOS and credit card givers often charge service fees.
- **Transaction costs** – e.g. the bank may charges a cost for each transaction.
- **Reliance on electrical and telecommunications infrastructure** – For example, EFTPOS uses electricity and needs access to a phone network. These payment methods can be unavailable if these systems go down.

## REVIEW QUESTION

1. Explain the payment.
2. What are the Different Modes of Payment?
3. Discus the Payment methods in short.
4. What do you understand by credit and debit card payments?
5. What is direct debit payment?
6. What do you understand by EFTPOS payments?
7. Explain online payments.
8. What is cash and cheque payment?
9. Explain in detail money order payments.
10. Discus gift cards and vouchers.
11. How to choose a payment method?

# CHAPTER 12

## REWARD

# CHAPTER 12

# REWARD

## CHAPTER CONTENTS



## INTRODUCTION


**Fig.12.1**

The achievement and benefit received by employees for their job performance in an organization are recognizen as reward. Employees join the organization within certain expectation of reward.

Some might be expecting for better salary and wages as in, economic rewards while other might be seeking for facilities like accommodation, transportation, health, safety and other benefits as reward. Thus, economic and non economic benefits gived by organization to employees for their job performance regardless of their expectation is recognizen as reward. Employees must be communicated about the reward provision in an advance.

Matching the reward system with the level of performance for each job assigned in organization is recognizen as reward management. To make effective reward management, an organization has to prepare an appropriate reward system. Attractive and transparent reward system must have quality to motivate and empower the dedicated and reliable employees. Reward management will also assist in planing the long term financial management.

In conclusion, Reward management means ascertaining and providing the reward to an employee according to their job performance and maintaining the record of this. This will motivate employees to make their effort in achieving organizational goal. Reward management assists in making different identification among the like minded organizations. Appropriate, up to date, transparent and competitive reward management will give high morale to the employees. They feel proud to be associated with the organization. Reward can be considered as a benefit, facility and career development. Reward managements should match with the job performance level, employee's requirement and overall organizational capacity.

## TYPES OF REWARDS

Rewards can be anything in the from of pay, benefits, facility and or status paid by organization to employees that motivates employees for the best performance. Rewards can be classified on the various bases. Some of them are discussed as below:

**1. Classification on the basis of feelings:**

**i. Intrinsic reward:**

The reward linked with the internal satisfaction of an employee for their best performance perceived from their side is recognizen as intrinsic reward. This reward is experienced by an employee himself/herself perceived from the result of their job performance. This reward is not related to what an organization gives to an employee. This type of reward can't be seen or touched. This achievement oriented reward. Employees feel pleasure for this type of reward. Job satisfaction, sense of achievement, considering oneself as an important member of an organization in some of the outcomes of this reward. Following types of job responsibility realizes intrinsic reward to the employees:

- Interesting job
- Challenging job
- Job autonomy
- Career development opportunity
- Participation in decision making
- Job enrichment
- Job rotation
- Flexible working hour
- Shorter working hour

**ii. Extrinsic reward*:***

Reward received by an employee from an external source is recognizen as extrinsic reward. Salary, wages, bonus, facilities, recognition, praise, medal, certificate of appreciation, promotion etc. gived by an organization for job performances are the examples of extrinsic reward. This reward has a physical appearance and can be touched, felt and seen by an employee. Since, this type of reward affects many employees, special attention should be gived while making the provisions for the extrinsic reward. This type of reward must be transparent, fair, and performance based.

**2. On the basis of Economic value:**

***i.* Financial reward:**

If the employees are financially rewarded for their performance, it is recognizen as financial reward. Financial reward is related to the enhancement of employee's financial well being. It helps to fulfill the basic and other requirement of employees. Therefore, it is also recognizen as the mainand effective tool for motivation. It involves:

- Salary and wages,
- Bonus, commission, grade,
- Paid leave,
- Pension, gratuity, insurance facility,
- Accommodation, transportation, communication allowance
- Profit sharing
- Participation on company's share

***ii.* Non Financial reward:**

Rewards which are not related to financial matter is recognizen as non financial reward. Financial reward doesn't always motivate the employees. This reward is not related with the economic well being. An organization has to make an appropriate combination of financial and non financial reward. Non financial rewards involve:

- Favorable work environment
- Standard and well facilitated workplace.
- Attractive position.
- Responsibility of choice.
- Work autonomy
- Job security
- Well furnished furniture and equipment
- Personal assistant
- Lunch time and rest hour
- Teamwork, peer group
- Sufficient leave
- Extracurricular and sports opportunity
- Praise and recognition from senior

**3. On the basis of evaluation:**

***i.* Performance based reward*:***

Reward which is based on the job performance is recognizen based onformance based reward. Under this provision, high producing employees will be rewarded highly and low producing employees will be rewarded at low level. Likewise, employees producing higher quality will receive high level of reward and employees producing lower level of quality will receive lower level of reward. It is not just distributed because of being associated of spending more time in an organization. It is paid for the outstanding performance or remarkable contribution made by an employee. Performance based reward are as under:

- Piece rate system: Reward which is based upon the produced unit is recognizen as piece rate system. Under this method, rate is fixed in advance. Various types of piecework pay plans are in practice.
- Additional wages: Minimum work standard (unit) and the rate of reward is priory fixed to be paid for an employee. Employees who produce above the predetermined minimum level of output will be paid additionally. For example, if an employee is to produce 100 units in a day for which $5 per unit is fixed and suppose if she produces 120 units in a day then, she receives . $100 extra for extra unit production. This will motivate other employees also to produce higher level of output. On the other hand, this may deteriorate the quality and optimal utilisation of resources.
- Commission: Under this types of reward, specified commission is paid to the employees. This type of reward is generally related to sales figure. For example, if sales commission is 2% then employees will receive $2000 for the sales of $100,000.

- Bonus: If an organization distributes certain percentage of profit to an employee, the lump sum pay paid in addition is the regular pay as an incentive for performance, it is recognizen as a bonus. For example, if 10 % of bonus amount of $5000 will be distributed to each of the employees.

**ii. Membership based reward:**

This type of reward is indifferent to the level of performance and position of employee. In fact, this types of reward is paid for being a member of organization. This reward is based on the policy, rules and procedure of the organization.

- Equal salary and allowance
- Equal growth rate in salary and allowance.
- Equal distribution of bonus and profit.
- Opportunity of promotion
- Grade provision based on seniority
- Salary and wages based on working hour
- Praise and recognition gived to a group or a team, etc.

Membership based rewards are of two types. This can be:

- Employees receive rewards in groups like all employees of the same level receiving salary,
- Reward as same growth rate in the salary, bonus distribution, opportunity of promotion or reward being received by a specific person on the basis of qualification, experience, expertise, seniority or other features.

## QUALITIES OF EFFECTIVE REWARD SYSTEM

Rewards motivate employees and make positive towards the organization. But, if it not effective, it may affect adversely to the employees and organization. Ineffective reward system reduces the performance of employees and the hampers in the productivity of organization. Following qualities are to be considered in making the reward system more effective.

**1. Performance based:**

Reward must be based on the performance. Better performer must receive better reward than the average and poor performer. Performance based reward system will motivate the employees to perform better.

**2. Transparent and predictive:**

Reward system must be management. Employees must be familiar with the reward system and the reward must be distributed transparently. Reward system must be predictive. Employees should be able to calculate and predict their reward in an advance. Employees become enthusiastic and motivated if they are aware about the type, size and quality of reward. Transparent reward system also fulfills the self esteem and recognition need of the employees.

**3. Cost Effective:**

Reward must have the quality of balancing the cost benefit ratio. The reward received by the employee should not exceed the benefit received by the organization. Over costing reward causes the organization in loss position and the existence of the organization might be challenging. The concept of making employees happy through the expensive reward is wrong.

**4. Need based:**

The reward system must match with the need or requirement of the employees. If reward system doesn't satisfy the need of employees, it will not motivate the employees to perform better in the future. This will only create economic burden to the organization. For example, if an employee has physiological need, economic benefit might be an appropriate reward for him/her. Similarly, if an employee has self esteem need, providing recognition and appreciation might be appropriate reward to her/him.

**5. Unbiased:**

Reward must be unbiased and fair. Employees identical to their job performance should be rewarded equally. Biased reward system will create conflict in the organization. For this, regular job performance must be evaluated and based upon it, the reward system must be enacted.

**6. Competitive:**

Reward system must be competitive to other organization's provision. Reward must be revised timely. Reward management must be enough to earn the living standard. It should be able to accommodate the change in life style. In the absence of competitiveness, employees may leave the organization and join the other organization. Good reward system will attract and retain the competent employees.

# AWARD VS REWARD


**Fig.12.2**

An **award** is

1.) a prize, medal, grant or other item given in recognition of an achievement,
2.) the action of giving a prize, medal, grant or other item in recognition of an achievement,
3.) compensation bestowed because of a legal judgment,
4.) the action of bestowing compensation because of a legal judgment.

*Award* might be used as a noun or as a transitive verb, which is a verb that takes an object. *Awards* are often sought. *Award* enters the English language in the fourteenth century, from the Old French *esguarder* which means consider or ordain.

A **reward** is

1.) a prize, bonus or token of appreciation given in recognition of one's service or effort,
2.) the just return on one's good or bad actions,
3.) monetary compensation for the apprehension of a criminal or the return of missing goods, or information leading to the apprehension of a criminal or the return of missing goods,
4.) the action of bestowing compensation for any of the preceding situations.

*Reward* might be used as a noun or as a transitive verb, which is a verb that takes an object. *Rewards* are given regardless of whether they are sought. *Reward* enters the English language in the fourteenth century from the Old North French word *rewarder*, meaning to regard or reward.

## DESIGNING A REWARD PROGRAM

The keys to developing a reward program are as follows:

- Identification of company or group goals that the reward program will support
- Identification of the desired employee performance or behaviors that will reinforce the company's goals

- Determination of key measurements of the performance or behavior, based on the individual or group's previous achievements
- Determination of appropriate rewards
- Communication of program to employees

In order to reap benefits such as increased productivity, the entrepreneur designing a reward program must identify company or group goals to be reached and the behaviors or performance that will contribute to this. While this may seem obvious, companies frequently make the mistake of rewarding behaviors or achievements that either fail to further business goals or actually sabotage them. If teamwork is a business goal, a bonus system rewarding individuals who improve their productivity by themselves or at the expense of another does not make sense. Likewise, if quality is an important issue for an entrepreneur, the reward system that he or she designs should not emphasize rewarding the *quantity* of work accomplished by a business unit.

Properly measuring performance ensures the program pays off in terms of business goals. Since rewards have a real cost in terms of time or money, small business owners need to confirm that performance has actually improved before rewarding it. Often this requires measuring something other than financial returns: reduced defects, happier customers, more rapid deliveries, etc.

When developing a rewards program, an entrepreneur should consider matching rewards to the end result for the company. Perfect attendance might merit a different reward than saving the company $10,000 through improved contract negotiation. It is also important to consider rewarding both individual and group accomplishments in order to promote both individual initiative and group cooperation and performance.

Lastly, in order for a rewards program to be successful, the specifics need to be clearly spelled out for every employee. Motivation depends on the individual's ability to understand what is being asked of her. Once this has been done, reinforce the original communication with regular satisfyings or memos promoting the program. Keep your communications simple but frequent to ensure staff members are kept abreast of changes to the system.

## REVIEW QUESTION

1. Explain the reward.
2. What are the Types of Rewards?
3. What do you understand by Qualities of Effective Reward System?
4. Explain Award vs. reward.
5. Design a reward program.

# CHAPTER 13

## PUNISHMENT

# CHAPTER 13

# PUNISHMENT

## CHAPTER CONTENTS



## INTRODUCTION


**Fig.13.1**

Punishment occurs when a stimulus is applied and has the effect of making a behavior less frequent. Sometimes this is called positive punishment. "Positive" in this context means a stimulus is added. On the other hand, few psychologists use the word "positive" when discussing punishment. This would only make beginning students more confused! When you see the word punishment by itself, this means an aversive stimulus is applied.

Punishment is used to help decrease the probability that a specific undesired behavior will occur with the delivery of a consequence immediately after the undesired response/behavior is exhibited. When people hear that punishment procedures are being used, they typically think that something wrong or harmful is being done, but that is not necessarily the case.

The use of these procedures have been used with both typical and atypical developing children, teenagers, elderly persons, animals, and people exhibiting different psychological disorders. There are two types of punishment: positive and negative, and it can be difficult to tell the difference between the two. Below are some examples to help clear up the confusion.

## PUNISHER

A behavior (**operant response**) is sometimes less likely to occur in the future as a result of the consequences that follow that behavior. Events that decrease the likelihood of a behavior occurring in the future are called punishers.

Punishment, like reinforcement, is defined by its effect. A stimulus that decreases the probability of a behavior it follows is a punisher, by definition. Some surprising things can be punishers. We used the example earlier of praising a student who raises his or her hand in a classroom. If the student never again raises his or her hand, then praising the student was punishment , by definition. Similarly, if you praise a child for drawing pictures, and the child stops drawing pictures, then your praise was punishing rather than reinforcing.

We will give examples of all these concepts in the next section, on applications of operant conditioning. For now, get acquainted with the basic ideas, especially this concept of defining reinforcement and punishment by their effects. It is one of the more subtle and valuable aspects of operant conditioning. It can give you an "edge" in analyzing certain situations. When you see a behavior get more frequent, you look for the stimulus that follows that behavior, and then assume the stimulus is a reinforcer. This can allow you to identify some weird reinforcers, like yelling at a child, or giving sympathetic attention to a pet. Such reinforcers can establish troublesome behavior patterns, because people do not recognize that a stimulus is functioning as a reinforcer. See, for example, the later section on the punishment trap that occurs when parents ignore children and only pay attention to bad behavior.

**Positive Punisher**

A positive punisher is an aversive event whose presentation follows an **operant response**. The positive punisher decreases the likelihood of the behavior occurring again under the same circumstances.

**Negative Punisher**

A negative punisher is an appetitive event whose removal follows an **operant response**. The negative punisher decreases the likelihood of that behavior occurring again under the same circumstances.

## TYPES OF PUNISHMENT

Punishment is meant to be so disagreeable that it prevents or stops certain behaviors. It comes in two forms: positive and negative. Positive punishment involves actually doing something unpleasant to the employee. Verbal reprimands and written warnings are examples of this kind of punishment. Negative punishment takes or withholds something valuable from the employee, including promotions or the job itself.

**Positive punishment**:

In an attempt to decrease the likelihood of a behavior occurring in the future, an **operant response** is followed by the presentation of an aversive **stimulus**. This is positive punishment. This works by presenting a negative consequence after an undesired behavior is exhibited, making the behavior less likely to happen in the future. The following are some examples of positive punishment:

- A child picks his nose during class and the teacher reprimands him in front of his classmates.
- A child wears his favorite hat to church or at dinner, his parents scold him for wearing it and make him remove the hat.
- During a satisfying or while in class, your cell phone starts ringing, you are lectured on why it is not okay to have your phone on.

**Negative Punishment:**

In an attempt to decrease the likelihood of a behavior occurring in the future, an **operant response** is followed by the removal of an appetitive stimulus. This is negative punishment. This happens when a certain desired stimulus/item is removed after a particular undesired behavior is exhibited, resulting in the behavior happening less often in the future. The following are some examples of negative punishment:

- For a child that really enjoys a specific class, such as gym or music classes at school, negative punishment can be removal from that class and sent to the principal's office because they were acting out/misbehaving.
- If a child does not follow directions or acts inappropriately, he loses a token for good behavior that can later be cashed in for a prize.
- Siblings get in a fight over who gets to go first in a game or who gets to play with a new toy, the parent takes the game/toy away.

When thinking about punishment, always remember that the end result is to try to decrease the undesired behavior. For positive punishment, try to think of it as adding a negative consequence after an undesired behavior is emitted to decrease future responses. As for negative punishment, try to think of it as taking away a certain desired item after the undesired behavior happens in order to decrease future responses.

## USES OF PUNISHMENT

Punishment cannot be used to spur good behavior. It only works to eliminate undesirable actions. Typically, negligence or disobedience merits punishment. In either case, the employee must recognize the expected behavior in advance; otherwise, the punishment has not been earned. Effective use of punishment means consistent application and instituting the punishment as soon after the offense as possible. It should be done privately, while praise should be given out publicly. An owner should be careful in punishing subordinates, since ineffectively-applied discipline can cause ill will, poor morale, and employee passivity and alienation.

## PUNISHMENT AND LEADERSHIP

The power to mete out punishment and reward is called coercive power. Coercive power relies on employee compliance instead of inspiration. It is typically a component of leadership styles that emphasize tasks or that are leader-centric. These styles involve authoritarian or autocratic leaders and the transactional leader, who assumes an agreement between employer and employee: in return for money, the employer will expect a certain standard of work. These leadership styles find use in organizations that have top-down power structures.

## DISCIPLINE WITHOUT PUNISHMENT

The discipline-without-punishment approach rejects the cop-criminal dynamic of traditional methods. It first reinforces good behavior by telling employees what they're doing right. When an employee goes astray, the employee and manager have performance improvement discussions. Improvement reminders follow if necessary, escalating to paid leave for an employee who still has not improved. During leave, the employee decides whether he wants to quit or stay on. If he stays, he does so recognizeing another violation will result in immediate termination.

## REVIEW QUESTION

1. Introduce punishment.
2. Who is Punisher?
3. What are the Types of Punishment?
4. What are the Uses of punishment?
5. What do you understand by Punishment and Leadership?
6. Discipline Without Punishment Explain.

# CHAPTER 14

## COMMITMENT

# CHAPTER 14

# COMMITMENT

## CHAPTER CONTENTS



## INTRODUCTION

Commitment is the state of being bound--emotionally, intellectually, or both--to a particular person or course of action. Commitment starts with a choice (ideally thoughtfully made and aligned with virtuous purpose) and is sustained by dedication and perseverance. Commitment is active – it is expressed and realized in our thoughts and actions.

Commitment is more than just obligation – it is a giving of ourselves, sometimes at high personal cost or risk, to a person or purpose that we find worthy of that gift. Like other forms of giving, commitment can produce some of life's greatest satisfactions.

What the world needs more of is not new ideas and daring dreams but commitment. A willingness to do the hard work that matters.

Sadly, there aren't many who have the perseverance to do it. And I think the problem is a misunderstanding of the word. There is, in fact, more than one type of commitment. And recognizeing that can make a world of difference.

Commitment means something different at different stages of life:

- **As a child,** you're committed to doing what your parents tell you, because they're your parents and that's what you're supposed to do.
- **As an adolescent,** it's hard to commit to something that lasts longer than a few months. So much can change so quickly, it seems foolish to unnecessarily tether yourself to something so uncertain.
- **As you enter adulthood,** commitment takes on a different shape yet again.

Through each season of life, we must relearn what it means to commit.

## THE THREE LEVELS OF COMMITMENT

**An adventure**

The first level of commitment is an adventure.

In this season, you commit to something for the sheer thrill of it. This type marks those who travel the world and are able to walk away from a perfectly good job. Adventurers can move across the country or break up with a boyfriend without thinking twice.

This type of commitment is important, because it helps you experience a broad array of opportunities life has to offer. It will lead you to see the world, explore different types of jobs, and do things you've never done before, as long as those things feel good.

On the other hand, this is healthy only for a season. When you build your entire life around this type of commitment, it can become problematic. You may find this way of living unfulfilling and immature as you grow up. I recognize I did.

After spending a year of traveling from city to city while living in a van, I was fed up with wandering. Having seen so many homes and been a part of so many families, I was ready for something steady, if only for a season.

**A season**

The second level of commitment is a season.

You commit to something for an extended period of time, even after the initial thrill wanes. You plant seeds and stick around long enough to see them grow. You camp out at a job or under a revival tent, because there is something special about the place. You go through life with a certain group of people and get to recognize them well.

But this is all temporary. After the time of the commitment is complete, you move on to other endeavors. The season is over; the commitment is finished.

This is an important level of commitment that many neglect. They jump from complete recklessness to starting a family, sometimes not on purpose. They go right from college to a full-time career, feeling like they never had the chance to see what life had to offer.

If you pursue seasonal commitments, you bridge the gap between adolescence and adulthood without getting bitter.

A season is what you make it. Some last five months, while others last five years. My year on the road was a season, as was my friend Dustin's two years teaching in Guatemala. The point of this type of commitment is it serves a purpose and has an end.

**A marriage (not literally)**

The third level of commitment is a marriage.

This is the highest mark of maturity and what marks true dedication. Of course, it applies to more than actual matrimony, but you get the idea. Marriage is forever, and so are some commitments.

Hopefully, your calling fits under this category. Although jobs come and go, your vocation, your life's work, should be something that sticks. Something you can commit to.

But how do you recognize it when you find it? You could do what my wife, Ashley, does. When she takes a job, she has a "marriage" mentality about it. She doesn't devise an exit strategy or consider her next steps. There are no stepping-stones in her book. She has no backup plans.

Ashley's not like many people her age, looking over her shoulder for something better to come along. She just recognizes how always looking for the next best thing can sabotage your work and rob you of where you are now.

## COMMITMENT SCHEME

A commitment scheme is a two-phase protocol between a Sender and a Receiver. The Sender holds a message m and, in the first phase, it picks a random key K and then "encodes" the message using the key and sends the encoding (a commitment to m) to the Receiver. In the second phase, the Sender sends the key K to the Receiver can open the commitment and find out the content of the message m. A commitment scheme should satisfy two security properties:

• Hiding. Receiving a commitment to a message m should give no information to the Receiver about m;

• Binding. The Sender cannot "cheat" in the second phase and send a different key K0 that causes the commitment to open to a different message m0 .

It is impossible to satisfy both properties against computationally unbounded adversaries. It is possible, on the other hand, to have schemes in which the Hiding property holds against computationally unbounded Receivers and the Binding property holds (under appropriate assumptions on the primitive used in the construction) for bounded complexity Senders; and it is possible to have schemes in which the Hiding property 1 holds (under assumptions) for bounded-complexity Receivers while the Binding property holds against any Sender. We shall describe a protocol of the second type, based on one-way permutations. The following definition applies to one-round implementations of each phase, although a more general definition could be given in which each phase is allowed to involve multiple interactions.

# ORGANIZATIONAL COMMITMENT

In organizational behavior and industrial and organizational psychology, **organizational commitment** is the individual's psychological attachment to the organization. The basis behind many of these studies was to find ways to improve how workers feel about their jobs so that these workers would become more committed to their organizations. Organizational commitment predicts work variables such as turnover, organizational citizenship behavior, and job performance. Some of the factors such as role stress, empowerment, job insecurity and employability, and distribution of leadership have been shown to be connected to a worker's sense of organizational commitment. employee experiences a 'sense of oneness' with their organization.

Organizational scientists have also developed many nuanced definitions of organizational commitment, and numerous scales to measure them. Exemplary of this work is Meyer and Allen's model of commitment, which was developed to integrate numerous definitions of commitment that had been proliferated in the literature. Meyer and Allen's model has also been critiqued because the model is not consistent with empirical findings. It may also not be fully applicable in domains such as customer behavior. There has also been debate surrounding what Meyers and Allen's model was trying to achieve.

## MODEL OF COMMITMENT

Meyer and Allen's (1991) three-component model of commitment was created to argue that commitment has three different components that correspond with different psychological states. Meyer and Allen created this model for two reasons: first "aid in the interpretation of existing research" and second "to serve as a framework for future research" Their study was based mainly around previous studies of organizational commitment. Meyer and Allen's research indicated that there are three "mind sets" which can characterize an employee's commitment to the organization. Mercurio (2015) extended this model by reviewing the empirical and theoretical studies on organizational commitment. Mercurio posits that emotional, or affective commitment is the essential essence of organizational commitment.

**Affective commitment**

AC is defined as the employee's positive emotional attachment to the organization. Meyer and Allen pegged AC as the "desire" component of organizational commitment. An employee who is affectively committed strongly identifies with the goals of the organization and desires to remain a part of the organization. This employee commits to the organization because he/she "wants to". This commitment can be influenced by many different demographic features: age, tenure, sex, and education but these influences are neither strong nor consistent. The problem with these features is that while they can be seen, they cannot be clearly defined. Meyer and Allen gave this example that "positive relationships between tenure and commitment maybe due to tenure-related differences in job status and quality" In developing this concept, Meyer and Allen drew largely on Mowday, Porter, and Steers's (2006)]concept of commitment, which in turn drew on earlier work by Kanter (1968) Mercurio (2015) stated that..."affective commitment was found to be an enduring, demonstrably indispensable, and central characteristic of organizational commitment"

**Continuance commitment**

Continuance commitment is the "need" component or the gains versus losses of working in an organization. "Side bets", or investments, are the gains and losses that may occur should an individual stay or leave an organization. An individual may commit to the organization because he/she perceives a high cost of losing organizational membership (cf. Becker's 1960 "side bet theory"Things like economic costs (such as pension accruals) and social costs (friendship ties with co-workers) would be costs of losing organizational membership. But an individual doesn't see the positive costs as enough to stay with an organization they must also take into account the availability of alternatives (such as another organization), disrupt personal relationships, and other "side bets" that would be incurred from leaving their organization. The problem with this is that these "side bets" don't occur at once but that they "accumulate with age and tenure"

**Normative commitment**

The individual commits to and remains with an organization because of feelings of obligation, the last component of organizational commitment. These feelings may derive from a strain on an individual before and after joining an organization. For example, the organization may have invested resources in training an employee who then feels a 'moral' obligation to put forth effort on the job and stay with the organization to 'repay the debt.' It may also reflect an internalized norm, developed before the person joins the organization through family or other socialization processes, that one should be loyal to one's organization. The employee stays with the organization because he/she "ought to". But generally if an individual invest a great deal they will receive "advanced rewards". Normative commitment is higher in organizations that value loyalty and systematically communicate the fact to employees with rewards, incentives and other strategies. Normative commitment in employees is also high where employees regularly see visible examples of the employer being committed to employee well-being. An employee with greater organizational commitment has a greater chance of contributing to organizational success and will also experience higher levels of job satisfaction. High levels of job satisfaction, in turn, reduces employee turnover and increases the organization's ability to recruit and retain talent. Meyer and Allen based their research in this area more on theoretical evidence rather than empirical, which may explain the lack of depth in this section of their study compared to the others. They drew off Wiener's (2005) research for this commitment component.

**Critique to the three-component model**

Since the model was made, there has been conceptual critique to what the model is trying to achieve. Specifically from three psychologists, Omar Solinger, Woody Olffen, and Robert Roe. To date, the three-component conceptual model has been regarded as the leading model for organizational commitment because it ties together three aspects of earlier commitment research (Becker, 2005; Buchanan, 2005; Kanter, 1968; Mathieu & Zajac, 1990; Mowday, Porter, & Steers, 1982; Salancik, 2004; Weiner, 2004; Weiner & Vardi, 2005). On the other hand, a collection of studies have shown that the model is not consistent with empirical findings. Solinger, Olffen, and Roe use a later model by Alice Eagly and Shelly Chaiken, Attitude-behavior Model (2004), to present that TCM combines different attitude phenomena. They have come to the conclusion that TCM is a model for predicting turnover. In a sense the model describes why people should stay with the organization whether it is because they want to, need to, or ought to. The model appears to mix together an attitude toward a target, that being the organization, with an attitude toward a behavior, which is leaving or staying. They believe the studies should return to the original understanding of organizational commitment as an attitude toward the organization and measure it accordingly. Although the TCM is a good way to predict turnover, these psychologists do not believe it should be the general model. Because Eagly and Chaiken's model is so general, it seems that the TCM can be described as a specific subdivision of their model when looking at a general sense of organizational commitment. It becomes clear that affective commitment equals an attitude toward a target, while continuance and normative commitment are representing different concepts referring to anticipated behavioral outcomes, specifically staying or leaving. This observation backs up their conclusion that organizational commitment is perceived by TCM as combining different target attitudes and behavioral attitudes, which they believe to be both confusing and logically incorrect. The attitude-behavioral model can demonstrate explanations for something that would seem contradictory in the TCM. That is that affective commitment has stronger associations with relevant behavior and a broadr range of behaviors, compared to normative and continuance commitment. Attitude toward a target (the organization) is obviously applicable to a broadr range of behaviors than an attitude toward a specific behavior (staying). After their research, Sollinger, Olffen, and Roe believe Eagly and Chaiken's attitude-behavior model from 1993 would be a good alternative model to look at as a general organizational commitment predictor because of its approach at organizational commitment as a singular construct, which in turn would help predicting various behaviors beyond turnover

**A five component commitment model**

More recently, scholars have proposed a five component model of commitment, though it has been developed in the context of product and service consumption. This model proposes habitual and forced commitment as two additional dimensions which are very germane in consumption settings. It seems, on the other hand, that habitual commitment or inertial may also become relevant in many job settings. People get habituated to a job—the routine, the processes, the cognitive schemas associated with a job can make people develop a latent commitment to the job—just as it may occur in a consumption setting. The paper—by Keiningham and colleagues also compared applications of the TCM in job settings and in consumption settings to develop additional insights.

## PLANNING AND COMMITMENT

A decision to initiate a project is followed by a Conceptualization stage in which the Pre-Study is turned into a feasible concept or business process. Business commitment is often gained during workshops and when the concept is approved by the Project Steering Group. The concept is also the basis for the Business Requirements used by the solution designers.

In the Initiation Phase, the project proposal is turned into a *Project Plan*. In order to create a project plan, Project team and Steering Group must consider

the way the project is delivered (choose a methodology)

organizational readiness for the change

resourcing, costs and dependencies with other projects

risks and requirements for risk mitigation

must-have deliverables, which correlate with the classification

a realistic schedule based on all of the above

To enable efficient monitoring and management, the project's *must-have deliverables* are determined and the *acceptance criteria* are agreed upon. Each project phase ends with a Gate Review Satisfying, at which the Business Case is validated, Deliverables are checked and future needs are evaluated. Project Steering Satisfyings concentrate on the actual status of the project, while the Gate Review Satisfyings assess the quality and validity of the project. Gate Review Satisfyings also give guidance and manage the resourcing for the next Phase.

## FACTORS AFFECTING ORGANISATIONAL COMMITMENT

There are a variety of factors that shape organisational commitment. Such factors involve the following: job-related factors; employment opportunities; personal features; positive relationships; organisational structure; and management style.

Job-related factors :Organisational commitment is an important job-related outcome at the individual level, which may have an impact on other job-related outcomes such as turnover, absenteeism, job effort, job role and performance or visa versa (Randall, 1990). The job role that is ambiguous may lead to lack of commitment to the organisation and promotional opportunities can also enhance or diminish organisational commitment (Curry, Wakefield, Price & Mueller, 1996). 49 Other job factors that could have an impact on commitment are the level of responsibility and autonomy. Baron and Greenberg (1990, p 174) state that “the higher the level of responsibility and autonomy connected with a given job, the lesser repetitive and more interesting it is, and the higher the level of commitment expressed by the person who fill it".

Employment opportunities :The existence of employment opportunities can affect organisational commitment (Curry et. al., 1996). Individuals who have a strong perception that they stand a chance of finding another job might become less committed to the organisation as they ponder on such desirable alternatives. Where there is lack of other employment opportunities, there is a tendency of high level of organisational commitment (Vandenberghe, 1996). As a result, membership in the organisation is based on continuance commitment, where employees are continuously calculating the risks of remaining and leaving (Meyer & Allen, 1997).

Personal features: Organisational commitment can also be affected by the employee's personal features such as age, years of service and gender (Meyer & Allen, 1997). Baron and Greenberg (1990, p 174) state that "older employees, those with tenure or seniority, and those who are satisfied with their own levels of work performance tend to report higher levels of organisational commitment than others". This implies that older people are seen to be more committed to the organisation than other age groups. Another personal characteristic that may affect organisational commitment is associated with gender (Meyer & Allen, 1997). On the other hand, it is argued that gender differences in commitment are due to different work features and experiences that are linked to gender (Mathieu & Zajac, 1990).

Work environment: The working environment is also identified as another factor that affects organisational commitment. One of the common working environmental conditions that may affect organisational commitment positively is partial ownership of a company. Ownership of any kind gives employees a sense of importance and they feel part of the decision-making process (Klein, 1987). This concept of ownership which involves participation in decision-making on new developments and changes in the working practices, creates a sense of belonging (Armstrong, 1995). A study conducted by Subramaniam and Mia (2001) also indicates that managers who participate in budget decisionmaking tend to have a high level of organisational commitment.

Another factor within the work environment that may affect organisational commitment is work practices in relation to recruitment and selection, performance appraisal, promotions and management style (Meyer & Allen, 1997). Metcalfe and Dick (2001, p 412) in their study conclude that “the low level of organisational commitment of constables could be attributed to inappropriate selection and promotion which lead to the perpetuation of managerial style and behaviour that has a negative effect on organisational commitment of subordinates”.

Positive relationships: The organisation as a workplace environment is built up of working relationships; one of which is the supervisory relationship. According to Randall (1990, p 370) “the supervisory relationship can affect organisational commitment either positively or negatively”. A positive supervisory relationship depends on how work-related practises such based onformance management are being implemented in the organisation (Randall, 1990). When individuals find the supervisory relationship to be fair in its practices, they tend to be more committed to the organisation (Benkhoff, 1997). Other work relationships, such as teams or groups, which exist in the workplace, can affect organisational commitment. Organisational members can demonstrate commitment when they are able to find value through work relationships“employee commitment and attachment to the organisation can be increased through efforts made to improve the organisations social atmosphere and sense of purpose”. In essence, when work relationships reflect mutual respect to individuals, they are able to commit themselves to the organisation.

Organisational structure: Organisational structure plays an important role in organisational commitment. Bureaucratic structures tend to have a negative effect on organisational commitment. Zeffanne indicates that "the removal of bureaucratic barriers and the creation of more flexible structure are more likely to contribute to the enhancement of employee commitment both in terms of their loyalty and attachment to the organisation". The management can increase the level of commitment by providing the employees with greater direction and influence

Management style: It is stated by Zeffanne (1994, p1001) that "the answer to the question of employee commitment, morale, loyalty and attachment may consist not only in providing motivators, but also to remove demotivators such as styles of management not suited to their context and to contemporary employee aspirations". A management style that encourages employee involvement can help to satisfy employee's desire for empowerment and demand for a commitment to organisational goals. Gaertner (1999, p 482) argues that "more flexible and participatory management styles can strongly and positively enhance organisational commitment". Organisations need to ensure that their management strategies are aimed at improving employee commitment rather than compliance (William & Anderson, 1991).

## EFFECTS OF ORGANISATIONAL COMMITMENT

Organisational commitment can have either a negative or a positive effect on the organisation.

Negative effect of low level organisational commitment: The negative effect implies that the level of organisational commitment is low. Employees with a low level of organisational commitment tend to be unproductive and some become loafers at work (Morrow, 1993). Lowman (1993, p 65) states that organisational commitment can be regarded as a "work dysfunction when it is characterised by under-commitment and over-commitment". The following are the features of over-commitment and under-commitment according to Lowman

In certain cases the high rate of staff turnover and absenteeism are associated with the low level of organisational commitment (Morrow, 1993). Cohen (2003, p xi) motivates that "lack of organisational commitment or loyalty is cited as an explanation of employee absenteeism, turnover, reduced effort expenditure, theft, job dissatisfaction and unwillingness to relocate". Organisational commitment is regarded to be the best predictor of employees' turnover, than the far more frequently used job satisfaction predictor (Miller, 2003). Given the fact that employees who operate in a continuance commitment dimension are calculative of their stay, one would deduce that such employees may continuously stay away from work when they feel like, doing so.

Positive effect of organisational commitment: Committed organisational members contribute positively to the organisation which is not the case with less committed members. Cohen (2003, p 18) states that "organisations whose members have higher levels of commitment show higher performance and productivity and lower levels of absenteeism and tardiness". This implies that employees with a high level of commitment tend to take greater efforts to perform and invest their resources in the organisation (Saal & Knight, 1987). Organisational commitment can result in a stable and productive workforce (Morrow, 1993). It enables employees to release their creativity and to contribute towards organisational development initiatives (Walton, 1985). Employees who are highly committed do not leave the organisation because they are dissatisfied and tend to take challenging work activities (Meyer & Allen, 1997). Committed members are normally achievement and innovative orientated with the ultimate aim of engaging in and improving performance (Morrow, 1993).

Other positive effects of organisational commitment involve feelings of affiliation, attachment and citizenship behaviour, which tend to improve organisational efficiency and effectiveness (Williams & Anderson, 1991). Affectively and normatively committed members are more likely to maintain organisational membership and contribute to the success of the organisation than continuance-committed members.

**REVIEW QUESTION**

1. Introduce commitment
2. What are The Three Levels of Commitment?
3. What do you understand by Commitment Scheme?
4. What is Organizational commitment and Effects Of Organisational Commitment?
5. Explain Model of commitment
6. What is Planning and Commitment?
7. What Factors Affecting Organisational Commitment?

# CHAPTER 15

## PERFORMANCE APPRAISAL

# CHAPTER 15

# PERFORMANCE APPRAISAL

## CHAPTER CONTENTS



## INTRODUCTION

The performance appraisal is the process of assessing employee performance by way of comparing present performance with already established standards which have been already communicated to employees, subsequently providing feedback to employees about their performance level for the purpose of improving their performance as needed by the organisation.

As said above the very purpose of performance uprising is to recognize performance of employee, subsequently to decide whether training is needed to particular employee or to give promotion with additional pay hike. performance appraisal is the tool for determining whether employee is to be promoted, demoted or sacked ( remove ) in case of very poor performance and no scope for improvement.

Every corporate sector uses performance appraisal as a tool for recognizeing about the employee and take decisions about particular employee. for the purpose of performance appraisal of employees there are different methods under the category of traditional methods and modern methods which are discussed in following chapters.

## WHAT IS PERFORMANCE?

What does the term performance actually mean? Employees are performing well when they are productive. Productivity implies both concern for effectiveness and efficiency, effectiveness refers to goal accomplishment. On the other hand it does not speak of the costs incurred in reaching the goal. That is where efficiency comes in. Efficiency evaluates the ratio of inputs consumed to outputs achieved. The greater the output for a given input, the greater the efficiency. It is not desirable to have objective measures of productivity such as hard data on effectiveness, number of units produced, or percent of crimes solved etc and hard data on efficiency (average cost per unit or ratio of sales volume to number of calls made etc.).

In addition to productivity as measured in terms of effectiveness and efficiency, performance also involves personnel data such as measures of accidents, turnover, absences, and tardiness. That is a good employee is one who not only performs well in terms of productivity but also minimizes problems for the organisation by being to work on time, by not missing days, and by minimizing the number of work-related accidents.

## WHAT IS APPRAISAL?

Appraisals are judgments of the features, traits and performance of others. On the basis of these judgments we assess the worth or value of others and identify what is good or bad. In industry performance appraisal is a systematic evaluation of employees by supervisors. Employees also wish to recognize their position in the organization. Appraisals are essential for making many administrative decisions: selection, training,

promotion, transfer, wage and salary administration etc. Besides they aid in personnel research.

Performance Appraisal thus is a systematic and objective way of judging the relative worth of ability of an employee in performing his task. Performance appraisal helps to identify those who are performing their assigned tasks well and those who are not and the reasons for such performance.

Definitions:

Performance appraisal has been defined by different scholars in various ways. Some of the important definitions are as follows:

**Dale S. Beach,** "Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development".
**Randall S. Schuler,** "Performance appraisal is a formal, structured system of measuring and evaluating an employees job, related behaviour and outcomes to discover how and why the employee is presently perfuming on the job and how the employee can perform more effectively in the future so that the employee, organisation, and society all benefit."
**Heyel,** "It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally."
**Dale Yoder,** "Performance appraisal involves all formal procedures used to evaluated personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees."
Performance appraisal from employee point of view - "A performance appraisal is meant to help employees realise their strengths and shortcomings and receive a compensation accordingly."

## OBJECTIVES OF PERFORMANCE APPRAISAL

Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To give a feedback to employees regarding their performance and related status.
5. To give a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.

7. To review and retain the promotional and other training programmes.

## ADVANTAGES OF PERFORMANCE APPRAISAL

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which involves bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to recognize the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
   a. Through performance appraisal, the employers can understand and accept skills of subordinates.
   b. The subordinates can also understand and create a trust and confidence in superiors.
   c. It also helps in maintaining cordial and congenial labour management relationship.
   d. It develops the spirit of work and boosts the morale of employees.

   All the above factors ensure effective communication.
6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are

achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

## METHODS OF PERFORMANCE APPRAISAL

**The methods of performance appraisal fall into two major categories:**

I. Performance results-oriented methods

II. Employee behaviour-oriented methods

III. Modern methods

***I. Performance results-oriented methods:***

These methods measure actual performance of employees and bring it in conformity with the pre-determined standards.

**1. Graphic Scales:**

These scales "list a number of rating factors, including general behaviours and features, on which an employee is rated by the supervisor." Depending on the factors that need to be rated like quality or quantity of work, technical recognizeledge, punctuality, integrity, cooperativeness, initiative, creativity, analytical ability, decisiveness etc., supervisors prepare a graphic scale with different grades and employees are rated on the basis of their performance on that scale. The appraiser goes through these set of factors on the rating scale where highest grade (A or 1) would denote the best rating.

**The usual dimensions of a graphic scale are:**

Grade A = Outstanding
Grade B = Above average
Grade C = Average
Grade D = Below average
Grade E = Unsatisfactory

The advantage of this scale is that grading of employee on the scale highlights the need for improvement in his abilities to perform the job. If an employee is placed at Grade D, his performance is below average and he needs to improve upon it.

The limitation of this method is that every manager does not follow the same method of rating people at a particular grade. An employee who is assigned Grade A by one manager might be assigned Grade B or C by another manager. This method is, thus, sensitive to errors.

**Different types of rating errors are:**

**(i) Halo effect:**

This is a presumption by managers that a person doing well in one area will be doing well in other areas also. This is not always the case. A person good at sales may not be good in production or vice versa.

**(ii) Horns effect:**

It is the opposite of halo effect. Managers presume that employees who do not perform well in one area are poor performers in other areas too. They tend to give such employees a low grade if they have performed badly on one job while they may have actually performed better on other jobs.

**(iii) Contrast error:**

Managers rate the subordinates by comparing their individual performances rather than measuring their performance against the standards. When two sub-standard employees are rated on this basis, manager will give Grade A to one and B to another while both of them may actually fall in Grade E.

**(iv) Recency error:**

The employees are rated on the basis of their latest or recent performance. The earlier performance is ignored. An outstanding employee who, for some reason, has not been able to do well in the latest assignment, shall be placed in Grade D or E. This is not a satisfactory method of rating.

**(v) Leniency error:**

Supervisors give lenient rating to all the employees without measuring their actual performance. The results are, thus, likely to be biased.

**(vi) Severity error:**

This is the opposite of leniency error. The supervisor gives low rating to all the employees, without appraising their actual performance. The results would, therefore, be again inaccurate.

**(vii) Central tendency error:**

An average rating or grade is given to everyone, disregarding their actual performance. The rater marks all the people as average without discriminating as superiors or inferiors. This may happen because the rater does not have sufficient recognizeledge about employees or because he is indifferent towards employees.

**(viii) Constant errors:**

Some raters have the habit of rating people as high or low. They either rate everyone high or everyone low. Some rate on the basis of present performance while others on the basis of potential to perform in future. The results of two raters are, thus, not comparable.

**How to make rating effective:**

The graphic scale is a simple and effective method to rank performance against standards but it is highly sensitive to a broad range of errors. Steps must, therefore, be taken to make this programme effective. The rater training programmes are organised to train the raters who hold biased opinion about rating the subordinates. These programmes develop general consensus among the raters to rate the subordinates according to a common standard and improve their perceptions about rating their performance.

**2. Behaviourally anchored rating scales:**

This method of performance appraisal is an extension of graphic scale method. These rating scales are used in situations where number of employees are performing similar work and high degree of precision is required in their job behaviours. Rather than assessing the performance as above average or below average, a range of levels of performance, from very high to very low is specified on the rating scale.

Unsatisfactory performance, for example, can further be labelled as very unsatisfactory or marginally unsatisfactory. Above average can also be ranked as slightly above average or much above average.

**Five grades in the graphic scale can be developed as:**

| | | | |
|---|---|---|---|
| Grade A | : Outstanding | : 10 | Extremely good performance |
| | | : 9 | Very good performance |
| Grade B | : Above average | : 8 | Much above average |
| | | : 7 | Slightly above average |
| Grade C | : Average | : 6 | Though average but more towards good |
| | | : 5 | Neither very good nor very bad |
| Grade D | : Below average | : 4 | Slightly below average |
| | | : 3 | Much below average |
| Grade E | : Unsatisfactory | : 2 | Marginally unsatisfactory |
| | | : 1 | Highly unsatisfactory |

A broad range of performance is specified on the graphic scale and the raters are much less sensitive to bias by the range of errors that inhibit their rating capacity on the graphic scale.

Though this method is more accurate and scientific than the graphic scale, it is more time consuming and expensive.

It also needs high precision on the part of raters to rate the subordinates as different rating levels form part of the same grade. Managers, therefore, often seek assistance of experts in preparing this scale.

**3. Essay evaluation:**

This is an unstructured form of performance appraisal where grades are not assigned to performance parameters. As the employees perform their jobs, the evaluators or raters keep track of the performance and note their positive and negative job attributes like quality and quantity of performance, recognizeledge about the job skills and organisational policies, employees' strengths and weaknesses, their potential to work, need for training etc.

At the end of the period, they analyse all these points and give brief description of their performance in the form of an essay. This method has the merit of rating the employees purely on the basis of their actual performance. It reduces personal bias of the raters. On the other hand, different raters have styles and perception about rating the qualities of a person and this method, thus, may not be totally error free.

***II. Employee behaviour-oriented methods:***

These methods are also recognizen as comparative methods of evaluation. They compare performance of employees against each other and rank them accordingly.

**1. Straight ranking:**

This is the simplest method of ranking where employees are rated as rank 1, 2, 3, 4 or 5. Where an employer has to consider one of his subordinates for promotion to higher job; he would simply see each person's performance in the respective area of operation, say production, and the one having produced the maximum number of units would be given rank 1 followed by ranks 2 through 5, and accordingly considered for promotion.

People are, thus, given ranks on the basis of their traits. This method is effective when few number of persons have to be ranked as some of the traits for ranking cannot be quantified. For less number of people, on the other hand, personal observations can also be used for ranking.

Ranking method does not indicate differences in ranks as equal to differences in ability of people being ranked. This is only a comparative method of ranking where one is better than the other; how much better is not indicated through rankings.

**2. Alternation ranking:**

Rather than ranking the employees in ascending order of performance, the raters first pick up the best and give him rank 1, then the worst and rank him 5, then they pick up workers to be ranked as 2 and 4 and proceed this way until all the employees are ranked. This method is similar to straight ranking method with the difference in the approach towards picking up different ranks.

**3. Paired comparison:**

In this method of ranking, each person is compared with others in the group on the basis of specific traits, usually one trait as otherwise huge number of comparisons have to be made which can make rating a time-consuming process. A list is prepared containing the names of persons to be ranked in pairs. The rater puts a tick mark against the person who is better between the two.

The person who is ticked marked as better for maximum number of times is given the highest rank. The number of comparisons to be made is calculated by using the formula n(n – l)/2 where n is the total number of persons to be compared. For instance, paired comparison has to be made amongst 5 people. This requires 10 comparisons [5(5 – 1)/2] to rank who gets the highest rank in terms of being better than the others.

**The comparisons are as follows:**

| | | | |
|---|---|---|---|
| 1 – 2 | 2 – 3 | 3 – 4 | 4 – 5 |
| 1 – 3 | 2 – 4 | 3 – 5 | |
| 1 – 4 | 2 – 5 | | |
| 1 – 5 | | | |

Every person will be compared with 4 others (1 with 2, 3, 4, 5 / 2 with 1, 3, 4, 5 / 3 with 1, 2, 4, 5 / 4 with 1, 2, 3, 5 and 5 with 1, 2, 3, 4) and one who is most preferred gets the highest rank followed by others. Though everyone is compared with everyone else in this method, it is difficult to use this method when large number of people are involved.

**4. Forced-distribution method:**

When more than one employee are rated as almost the same, it becomes difficult for the rater to rate them as 1 or 2. As many employees are rated around a similar point on the rating scale, one employee is not given one rank; but a group of employees are placed in one rank.

For example, the manager might place 5% of the employees in rank 1.10% in rank 2, 20% in rank 3, 30% in rank 4 and remaining 35% in rank 5. In case of ranking 100 employees, therefore, 5 employees will be placed in rank 1 and 35 in rank 5. This method is suitable where supervisor has to rank a large number of employees and individual ranking is not possible.

**5. Forced choice method:**

This method of rating involves appraising the performance of employees by choosing between two or more statements that describe the features of the employees. The statements might be positive or negative. They are closely similar to each other but the rater has to choose the most appropriate statement that describes the employee. Many sets of such statements (positive and negative) are prepared to analyse the performance of employees and the final rating is done on the basis of results of all the statements.

**These statements could be as follows:**

**One Set of Statement:**

1. He is an honest employee.
2. He is always fair in his dealings (financial and non-financial) with others.

**Second Set**

1. He is very hard working.
2. He completes his assignments in scheduled time even if he has to work overtime.

**Third Set**

1. He has leadership qualities that help him guide his peer group of friends.
2. People come to him for guidance to which he always gives the right advice.

The statements in each set describe features like honesty, hard working and leadership which are very close in meaning to each other. The rater is forced to choose the most effective statement that describes the individual. This statement is most descriptive of the employee. Thus, one statement is chosen from different sets for final analysis. The final rating is done on the basis of statement chosen from all sets of statements.

This method avoids subjectivity in rating as the rater chooses the most appropriate statement out of those which closely describe the positive or negative behaviour of the employees.

III. Modern methods

Modern methods of appraisal are being increasingly used by companies. Now days one of the striving feature that appraisal involves is, the opinion of many people about the employee and in some cases psychological test are used to analyze the ability of employee. These methods are as follows

1. Role analysis :- In this method of appraisal the person who is being apprised is called the focal point and the members of his group who are appraising him are called role set members. These role set members identify key result areas (KRA 2 marks) (areas where you want improvement are called KRA) which have to be achieved by the employee. The KRA and their

improvement will determine the amount of incentives and benefits which the employee will receive in future. The appraisal depends upon what role set members have to say about the employee.

2. Assessment centers :- Assessment centers (AC) are places where the employee's are assessed on certain qualities talents and skills which they possess. This method is used for selection as well as for appraisal. The people who attend assessment centers are given management games, psychological test, puzzles, questioners about different management related situations etc. based on their performance in these test an games appraisal is done.

3. Management by objective :- This method was given by Petter Druckard in 1974. It was intended to be a method of group decision making. It can be use for performance appraisal also. In this method all members of the of the department starting from the lowest level employee to the highest level employee together discus, fix target goals to be achieved, plan for achieving these goals and work together to achieve them. The seniors in the department get an opportunity to observe their junior- group efforts, communication skills, recognizable levels, interest levels etc. based on this appraisal is done.

4. Behavioral anchored rating scale :- In this method the appraisal is done to test the attitude of the employee towards his job. Normally people with +ve approach or attitude view and perform their job differently as compared to people with a –ve approach.

5. Psychological testing :- In this method clinically approved psychological test are conducted to identify and appraise the employee. A feedback is given to the employee and areas of improvement are identified.

6. Human resource audit/accounting :- In this method the expenditure on the employee is compared with the income received due to the efforts of the employee. A comparison is made to find out the utility of the employee to the organization. The appraisal informs the employee about his contribution to the company and what is expected in future.

7. 360* appraisal :- In this method of appraisal and all round approach is adopted. Feedback about the employee is taken from the employee himself, his superiors, his juniors, his colleagues, customers he deals with, financial institutions and other people he deals with etc. Based on all these observations an appraisal is made and feedback is given. This is one of the most popular methods.

## PROCESS OF PERFORMANCE APPRAISAL

Performance appraisal is defined by Wayne Cascio as “the systematic description of employee’s job relevant, strength, weakness. Process of performance appraisal followed by different companies is different. A general procedure is explained below with the help of a diagram.

Process of performance appraisal

1. Setting performance standards :- In this very first step in performance appraisal the HR department decides the standards of performance as in they decide what exactly is expected from the employee for each and every job. Sometimes certain marking scheme might be adopted eg. A sessential 90/100 = excellent performance, a sessential os 80/100 = good. And so on.
2. 2. Communication standard set to the employee :- Standards of performance appraisal decided in 1st step are now conveyed to the employee so that the employee will recognize what is expected from him and will be able to improve his performance.


3. Measuring performance:- The performance of the employee is now measure by the HR department, different methods can be used to measure performance as in traditional and modern method. The method used depends upon the company’s convenience.

4. Comparing performance with standard :- The performance of the employee is now judged against the standard. To understand the sessential achieved by him. Accordingly we come to

recognize which category of performance the employee falls into as in excellent, very good, good, satisfactory etc.

5. Discussing result :- The results obtained by the employee after performance appraisal are informed or conveyed to him by the HR department. A feedback is given to the employee asking him to change certain aspects of his performance and improve them.

6. Collective action :- The employee is given a chance or opportunity to improve himself in the areas specified by the HR department. The HR department constantly receives or keeps a check on the employee's performance and notes down improvements in performance.

7. Implementation and review :- The performance appraisal policy is to be implemented on a regular basis. A review must be done from time to time to check whether any change in policy is required. Necessary changes are made from time to time.

**REVIEW QUESTION**

1. What is Performance Appraisal? explain Performance and Appraisal
2. What are the main Objectives of Performance Appraisal?
3. What are the Advantages of Performance Appraisal?
4. Explain the Methods of Performance Appraisal?
5. Explain Process of performance appraisal?
6. What is 360 Performance Appraisal?