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CAIIB PAPER-1

Human Resource Management





CAIIB Paper 1 (ABM) Module B: Human Resource Management

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CAIIB Paper 1 (ABM) Module B Unit 1: Fundamentals of Human Resources Management

The Perspective

An appropriate beginning to understand the fundamentals of people management would be to appreciate the foundations of an organization. An organization is primarily a ramification of the fact that there is an interdependency implied in the satisfaction of needs of individuals alongside with the achievement of organizational objectives. An organization is coming together of individuals in order to attain a common goal/purpose.

- **Robert Owen (1771-1858):** Advocate of better working conditions for 'vital machines'
- **Charles Babbage (1792-1871):** Division of labour
- **Frederick Taylor (1856-1915):** Scientific Management Approach famous for his 'division of labour' concept and 'time and motion' studies and further substantiated by Gantt and Gilberths. Some of the major assumptions in this approach could be summarized as:
 - ✓ The tasks can be broken down to simple units for people to understand and perform
 - ✓ People will do a given activity in return for money
 - ✓ People will have to do what is defined by the organization and in turn by technology.

Elton Mayo: Hawthorne Studies 1924-33

Pointed to various dimensions of human behaviour that were not considered to be of any significance in the restricted approach taken earlier



- Followed by Human relations movement that replaced 'rational-economic man' by 'social man' perspective
- Later researchers like Chris Argyris, Abraham Maslow, Douglas McGregor and Frederick Herzberg pointed out that individuals are motivated by other than monetary factors too
- Line managers are the delivery points

Development of People Management Functions

The history of management of people as a distinct managerial function goes back to the end of the nineteenth and the beginning of the twentieth century. With a significant increase in the number and size of organizational units as a sequel to the Industrial Revolution, there was a need to have special departments like finance, accounting, production, etc.

Few Organisations had the post of welfare secretary (also referred to as social secretaries)

- Experiment on group behaviour by Prof A K Rice in Ahmedabad Rice Mills in 1952
- The term personnel officer was perhaps first used in the chemical and pharmaceutical industries in 1960s
- The concern for human element did not occur until the socio-psychological upheavels in the late 1920s and early 1930s

Two major traditions or trends:

- Hard headed, profit minded approach to utilisation of human resources
- Social welfare viewpoint

Relationship between HRM & HRD and Their Structures and Functions

HRM is an essential branch of management that deals with making the optimum usage of organizational human resources by nurturing better work conditions for all concerned. On the other hand, **HRD is a branch of HRM that focuses on the growth and development of the workforce in any organization.**

Basis of Differentiation	HRM	HRD
Definition and full form	The full form of HRM is Human Resource Management. It refers to how the principles of management can be applied to manage the employees working in an organization effectively.	The full form of HRD is Human Resource Development. It refers to continuous development functions that are implemented for improving the performance of those working in an organization.
Nature	HRM is a management function.	HRD is a sub-function of HRM.



Function	The functions of HRM are reactive and are usually applied to gaining holistic organizational goals.	The functions of HRD are proactive and have to be applied consistently to enhance the productivity of employees.
Goal	The objective of HRM is related to improving the overall performance of employees.	HRD goals are usually connected with skill development, knowledge enhancement, and increasing the competency of employees.
Process	Most HRM processes are routine and have to be carried out as and when the need arises.	HRD processes are ongoing and not occasional.
Dependency	HRM is an independent entity in itself. It comprises of different sections inclusive of recruitment and retention, HRD, compensation, performance, appraisal management, etc.	HRD is a subsystem of HRM and draws many functions, attributes, and processes from HRM.
Concerned with	HRM deals with and has concerns for people only. It handles recruitment, rewards, etc.	HRD is concerned with the development of all aspects and people within an organization and manages its skill development processes.
Levels of formality	HRM functions are generally formal and are applied via classroom/laboratory training, etc.	HRD functions may be informal as in mentorships, employees receive coaching from superiors, usually managers.

Role of HR Professionals

- **Supportive Role:** This relates to the strengthening of the operating and executive levels and consolidating the strengths in an organization.
- **Role of System Development and Research:** This pertains to developing systems that deal with people, their problems and organizational dynamics. This was already present in the traditional role.
- **Managerial role:** This relates to performing managerial functions like planning future manpower, recruiting, utilizing by placement, returning, motivating-integrating people and their role, performance and potential assessment, planning the growth of individuals, etc.
- **Role of Developing Competence:** This refers to developing technical, managerial, and processing competence among the human resource. The new perspective also includes helping and coping competence.



- **Process Role:** An effective organization needs to respond to the changing environment for which it has to develop coping skills. Creating necessary culture and values in the organization, diagnosing the problem at organizational level and taking corrective steps are the related responsibilities of the HR functionaries.

Technical

- Knowledge of performance appraisal systems and their functioning in various organizations
- Knowledge of potential appraisal and mechanism of developing a system
- Knowledge of various tests and measurements of behaviour
- Ability to design and coordinate training programmes at worker, supervisor and managerial levels.
- Professional knowledge of personnel and management
- Knowledge of behavioural sciences
- Understanding of overall organizational culture
- Knowledge of career planning, processes and practices
- Knowledge and skills in counselling
- Knowledge of techniques in behavioural research

Managerial

- Organizing ability
- Systems development skills

Personality

- Initiative
- Faith in human beings and their capabilities
- Positive attitude to others
- Imagination and creativity
- Concern for excellence
- Concern for people and their development
- Friendly, sociable and affable
- Attitude for research and development work
- Interest in learning new things

- Ability to work as a team member

Strategic HRM

- In simple terms, the 'Strategic HRM' is a process by which an organisation the knowledge, skills and abilities of its employees in formulation and execution of its business strategy.
- In its wider connotation, the 'Strategic HRM' is the process of linking HRM with strategic role and objectives in order to improve business performance, to develop organisational cultures and also to foster innovation and flexibility.
- In the context of new facets of organisations more so of service-oriented like Banks, pursuing Strategic HRM is paramount in as much as the employees, being partners in the progress, have larger stakes in the organisations and as such if they are involved in formulating the business strategies, they will exhibit more commitment to its successful implementation. In short, it is a proactive HRM where HR policies and practices get pulled up to meet the challenges emerging from the internal and external environment.

The following chart depicts the conceptual understanding of HR's value contribution to the Business as an impetus to 'SHRM':



Strategic Role in the Future

- To become a partner with senior and line managers in strategy execution, helping to move planning from conference room to the market place.
- To become an expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained.
- To become a champion for employees, vigorously representing their concerns to senior management and at the same time, working to increase employee contribution.



- To become an agent of continuous transformation, shaping processes and a culture that together improve an organisation's capacity for change.

Development of HR functions in India

- During the British raj, the ripples of whatever happened were felt in India
- Labour Welfare Officers under the Factories Act
- By 1950s the provisions of the Industrial Disputes Act, 1947 began to percolate down
- By 1960s demand for personnel professionals with specific knowledge about people management systems and laws rose
- Institutes were setup
- Indian Institute of Personnel Management (IIPM), 1947
- National Institute of Labour Management
- National Institute of personnel Management (NIPM), 1982: Formed upon merger of the above two institutes
- Indian Society for Training and Development, 1970
- MNCs gave more attention to personnel issues based on home country experience
- In India TISCO took proactive measures in the field
- Govt. enacted legislations related to employment and employee welfare:
- Article 16(1) of the Indian Constitution: Equal opportunity for employment
- Apprentices Act, 1961: Training linked to employment
- Child Labour Act, 1986
- Bonded Labour System Act, 1976
- Interstate Migrant Workmen Act, 1979
- Next major transformation in 1980s with the onset of the HRD era Establishment of National HRD network in 1985

JAIIB Paper 1 (ABM) Module B Unit 2: Development of Human Resources

HRD



HRD and its subsystems

- Performance Appraisal
- Potential Appraisal
- Career Planning
- Training
- Organisational Development
- Rewards
- Counselling
- Quality Circle
- Role Analysis, and others.

Goals of HRD are to develop

- Capabilities of each employee as an individual
- Capabilities of each individual in relation to his or her present role
- Capabilities of each employee in relation to his or her expected future role(s)
- Dyadic relationship between each employee and his/her supervisor
- Team spirit and functioning in every organisational unit (department, group etc)
- Collaboration among different units of the organization
- Organisation's overall health and self-renewing capabilities, which, in turn increase the enabling capabilities of individuals, dyad teams, and the entire organization

The typical systems developed to enhance achievement of these HRD goals include:

- Training and Development
- Performance Appraisal, Feedback and Counselling
- Potential Appraisal, Career Planning and Counselling
- Organizational Development
- Human Resource Information System

Job/Role Analysis

- **Job Description:** This simply records each and every component of the job which an individual has to perform in a given set-up.



- **Job Specifications:** On the basis of the job description a list of requirements is prepared in terms of educational qualification, age, work experience, specific knowledge, skills, expertise, temperament, etc.
- **Job evaluation:** This is primarily used to compare similarity between jobs within an organization or between organizations or even in an industry.
- **Task:** This is a basic element of a job and as such requires a person to achieve a specific product. In the process the individual is isolated from others.
- **Job:** This is a complex system of tasks requiring an individual to achieve an overall product and still making the relationship irrelevant.
- **Position:** Puts an individual in a hierarchical pattern, expecting those below to report or surrender to higher positions and conform to their expectations while those higher up may be led to exploit the relationship and demand conformity.
- **Role:** Emphasizes on the pattern of (mutual) expectations.
- **Work:** Involves a more complex pattern as it goes a step further to encompass socio- psychological relationship.

Training and Development – Role and Impact of Training

Training and Development system as part of the HRD efforts and this involves:

- Identification of Training Need
- Designing the Training
- Conducting the training
- Evaluation of Training
- Selection and development of trainers

Purpose of Training and Development

- **Training** is for learning related to present job;
- **Education** is for learning to prepare the individual for a different but identified job; and
- **Development is learning** for growth of the individual not related to a specific present or future job.

Imperatives of Adult Learning

- It is interesting to note that though most of the people think that Adult Education is a recent phenomenon, but it is not so. In ancient times great teachers like Confucius, Lao Tse, Hebrew Prophets, Jesus, Socrates, Plato, Aristotle - were 'teachers of adults'. To these teachers 'learning was a process of active inquiry



on the part of the learners'; they invented 'techniques for involving the learners in active inquiry.'

Learning Theories

- **Mechanistic or Behaviourist Theories:** These theories hold that the learner is passive in the process of learning. If one introduces an input (stimulus) into a human being, you will get a predetermined response. In other words, learning occurs only when a learner is conditioned to give the 'right' response to a given stimulus.
- **Cognitive Theories:** These theories equate man with his brain, based on the proposition that one thing that distinguishes human beings from other living things is that they possess brains that are capable of critical thinking and problem solving. The purpose of learning therefore is to teach the brain to engage in such critical thinking and problem solving.
- **Organismic or Humanistic Theories:** These theories hold that learning occurs only when learners have the 'freedom to learn' what is particularly relevant to their personal life situation. The purpose of learning is to encourage each individual to develop his or her full, unique potential.

There are theories related to the variables associated with the actual Teaching-Learning situation. Decenzo and Robbins (1995) list some as:

- **Learning is enhanced when the learner is motivated:** This means that the learning experience must be so organized that it should create desire to learn.
- **Learning requires feedback:** Knowledge of results is necessary for learner to improve upon his mistakes. The feedback also tends to act as motivator when the learner knows that he is proceeding in the right direction.
- **Reinforcement increases the likelihood that a learned behavior will be repeated:** Behavior that is positively reinforced are encouraged and therefore sustained.
- **Practice increases a learner's performance:** Learners need to practice what they learn.
- **Learning must be transferable to the job:** Learning a skill just for the sake of it will not work; it must be possible to apply what is learnt.

Systematic Approach to Training (SAT)

- Will the training to be done internally or externally? Does the organization have or intend to develop an in-house training centre?
- How much and what kind of training will be done externally and is this also an essential part?
- Who are the functionaries responsible for administering the training system?



SAT: The process

- **Step 1:** Training Need Analysis (TNA) and Identification of Training Needs
- **Step 2:** Preparation of a Training Plan;
- **Step 3:** Conduct of the training which includes designing the programme in terms of the time, duration, target group, sequence of inputs and methodology;
- **Step 4:** Evaluation of the Training Programmes and the Plan;
- **Step 5:** Selection and Development of Trainers.

Support systems for Training and Development

- Performance Appraisal System
- Human Resource Information System
- Organisational Culture

Attitude Development

The term '**attitude**' is frequently used to describe people in terms of their behaviour and its impact on behaviour. More precisely, an attitude can be defined as a persistent tendency to feel and behave in a particular way towards some object.

Components of Attitudes

Attitude can be broken down into three **basic components**, viz., **emotional, informational and behavioural**.

- **The emotional component** involves the person's feelings or their affect—positive, neutral or negative—about an object. Emotions play a very important role in organizational behaviour of employees. The expression of emotions, either positive or negative, is also important to work behaviour.
- **The information component consists** of beliefs and the information that an individual has about that object. Generally, the beliefs or the information are founded on insufficient observations or opinions which may not be empirically correct.
- **The behavioural component** consists of a person's tendency to behave in a particular way towards the object.

Attitudes serve four important functions in the process. These are:

- The Adjustment Function,
- The Ego-Defensive Function,
- The Value-Expression Function
- The Knowledge Function.



Changing Attitudes

Barriers to attitude change:

- Prior commitment to a particular thing
- Insufficient information

Overcoming the Barriers to attitude change:

- Use of Fear
- Provide New Information
- Resolving discrepancies between attitude and behaviour
- Influence of peers, friends and opinion leaders Co-Opting – Getting the dissatisfied people involved in improvement process

Career Path Planning

It is relevant therefore, to examine the underlying concepts in the generic observation that:

- Individuals desire and expect change at certain stages in life:
- There is a (predictable) pattern in these changes; and
- There is a feeling of frustration if things do not happen as desired or expected.

Erikson the first stage in life adulthood is:

- **Adolescence:** In this stage individual's development is to achieve an ego identity. Individual is involved in reconciliation process of what he perceives himself to be, what he thinks others perceive him to be and make an adjusted assessment to form his identity.
- **Young Adulthood:** It is the next stage where he/she starts developing relationships with individuals, group or occupation. This could be establishing a close relationship, developing an interest group or a work group.
- **Adulthood:** The stage is that of guiding the next generation and during this stage one is passing on the knowledge, values or sponsoring the younger colleagues and in the Maturity: A stage when person attempts to achieve ego integrity by examining whether life has been meaningful or satisfying.

Career Roles given by Dalton

- **Apprentice:** This is the beginning of the career. An individual does routine work under the supervision of the mentor, who helps to learn. At this stage the individual needs to accommodate himself to a certain degree of dependency.



- **Colleague:** This is the beginning of making an independent contribution though still in a subordinate role. There is less dependence on superiors for advice and direction.
- **Mentors:** This stage signifies the beginning of complex functions. The individual develops ideas, manages others, and must learn to assume responsibility for his subordinates' work.
- **Sponsors:** At this stage the individual needs to broaden his perspective and think long-term as he is now a part of the top management. He is required to define the direction in which the entire organization or at least a major segment of it would develop.

Career Concepts

- **Linear Career Concept:** Plan for upward movement within the same profession using organisational hierarchy
- **Steady State Career:** Individuals choose a profession, acquire higher skills, but do not choose to go higher up in the hierarchy
- **Transitory Pattern:** Individuals shift from one job to another not necessarily related to the previous one
- **Spiral Career:** Individuals take on a new job, work hard, perform well, move up in the status and rank, then move on to another type of work and follow the same pattern of development and performance
- **Plateau Career:** Reaching a level higher than where one started but then continuing on the same level

Career Anchors

This has three components:

- Self-perception of talents and abilities based on one's performance;
- Self-perceived motives and needs based on self-diagnosis and feedback; and
- Self-perceived attitudes and values based on interactions with the norms and values implicit in the organization.

Schein's Career Anchors

- **Technical or Functional Competence:** Some individuals 'fall in love' with a particular field or function. They desire to be outstanding in the field; their self-concept is associated with their skills in that area.
- **Managerial Competence:** Some individuals like to manage. Their early career experiences indicate to them that they will be able to rise in the management hierarchy.



- **Security:** Some individuals seek a secure work environment and career by tying themselves to a particular organization or geographical location.
- **Creativity:** There are some individuals who want to create something new. They like to start something and make it a success.
- **Autonomy:** Another group of individuals finds organizational life unpleasant or difficult. They prefer to maintain their freedom.

Career Path Planning System

Main responsibilities of the organisation while developing and implementing a career plan are:

- The policy of career planning is made explicit. It lays down the benchmarks for performance at critical stages which the employees must attain
- It is made clear that the career path is a facility for growth and not a right for advancement
- The career path – a sequence of job assignments, training requirements and promotion to higher level – is made known to the employees from the time of entry. Performance feedback is a part of the career path
- The career path is followed uniformly for all employees without any bias/prejudices
- It should be flexible to accommodate variations which may be needed to deal with the given circumstances

Self Development

Self can be categorized into **two parts, namely, the 'patent self' and the 'inner self'.**

- The **patent self** can also be called the external self which normally comprise individual's identity and physical features.
- On the other hand the **'inner self'** signifies the behaviour patterns, values and other.

The self-development essentially refers to developing a mature personality who can handle different tasks and situations with comparative ease. and in this direction seeking self improvement becomes an ongoing process. It is the process of discovering and utilizing the tremendous potential within one's individual personality.

The context of our discussion on self- development in relation to the organization, the following aspects will be discussed.

At Individual level	<ul style="list-style-type: none"> • Motivational Pattern • Locus of Control • Power Bases
At Interpersonal level	<ul style="list-style-type: none"> • Interpersonal Needs



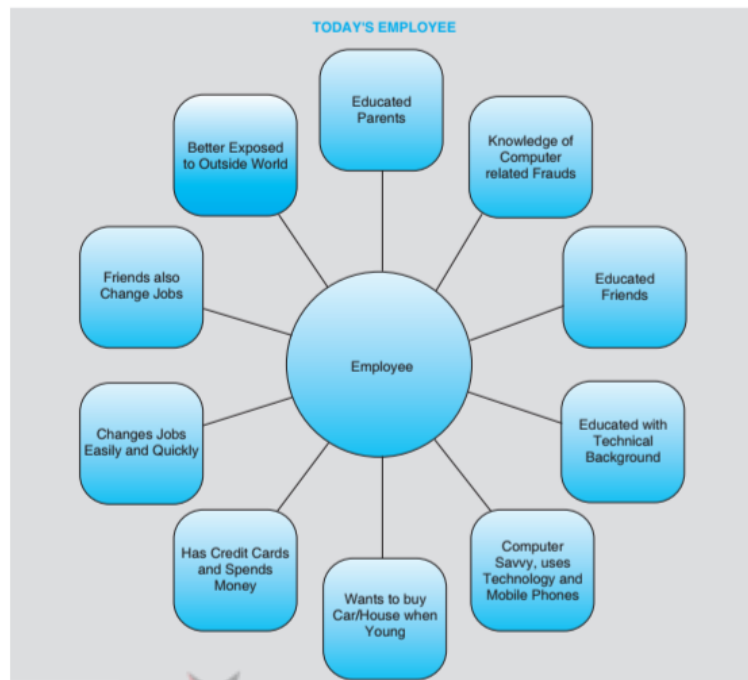
	<ul style="list-style-type: none"> • Transactional Analysis
At Group level	<ul style="list-style-type: none"> • Being effective member in the Work Group

Individual level

- **Motivational Pattern:** An individual has to make conscious efforts to be aware of what his life goals are. Awareness of one's own need bases can enhance an individual's acceptance of self- concept.
- **Locus of Control:** Personal efficacy is also related to an individual's ability to take the initiative which closely relates to his belief that he can change things. **The concept of locus of control given by Leftcourt (1969) and Levenson (1972)** explains that individuals have beliefs about who is responsible for what happens in life. Some believe that events are determined by external forces like other influential persons in society, luck, destiny and so on. Whereas some others believe that the individuals can determine events. Thus, we have individuals with more external locus of control and some with more internal locus of control. These beliefs definitely have impact on the action orientation of individuals.
- **Power Bases:** Another important concept related to influencing others is **Power, Kotter (1979) has defined power as 'a measure of person's potential to get others to do what he or she wants them to do, as well as avoid being forced to do what he or she does not want to do.'** Distinction is also made in terms of fear or love being used as base of exercising this power. Flanders (1970), Hersey and Blanchard (1982) and Pareek (1997) have contributed to the present understanding that coercive bases include organizational **position, punishment, charisma, personal relationship, (emotional power)**, closeness to a source of power and withholding information on resources.

Motivational Pattern

- An individual has to make conscious efforts to be aware of what his/her life goals are. Awareness of one's own need bases can enhance an individual's acceptance of self-concept. How the individual attempts to balance self-concept with what he feels others think of him.
- Many a time, at a superficial level an individual may feel he/she is aware of what he/she wants but that may not be the reality. Individuals have to be actively helped with some questionnaires and discussions to assess their orientation; to develop a more reliable and meaningful understanding.
- Individuals could become aware about what motivates them, whether it is individual achievements or contribution to the group activities or in exerting influence. Such analysis can reveal that for job satisfaction one can look for those opportunities



Interpersonal interactions: Dyadic relationship

Two individuals maintaining a sociologically significant relationship - Interpersonal relationship.

Interpersonal Needs

The interpersonal need to control is to **establish and maintain satisfactory relationship including:**

- (a) a psychological comfortable relationship in controlling all behaviour of other people,
- (b) eliciting behaviour from them which controls one's own behaviour.

Transactional Analysis:

A transaction is a combination of a **stimulus and its response in an interpersonal interaction**. The personality of an individual comprises collection of behaviour patterns developed over a period of time.

These life positions are described in terms of Okayness.

Thus the individuals are either OK or NOT OK. Four life positions can be described as:

- I am OK you are OK (both have value)
- I am OK you are NOT OK (I have value but you don't have value)
- I am NOT OK you are OK (You have value but I don't have value)
- I am NOT OK you are NOT OK (neither person have value)

Working in Teams



The term 'Group Dynamics' was coined in **1930s by Kurt Lewin** It refers to the:

- Internal nature of groups
- How they form
- Their structure and processes
- How they function and affect individuals and organization

Stages in Group Formation and Behaviour

- **Forming (Awareness)** Members with varied awareness get acquainted, understand the team's goal and its role
- **Storming (Conflict)** Conflict among the members helps the team in defining itself
- **Norming (Cooperation)** How the task will be accomplished? Rules and regulations of the team?
- **Conforming (Adjustment)** Adjusting one with the team expectations and norms
- **Performing (Productivity)** Members behave in mature fashion and focus on accomplishing their goal. Full energy dedicated to work.

Self-awareness

Understanding self helps in **self-development and using one's potential better**. It is always useful to do the **SWOT analysis of self to understand the Strength, Weaknesses, Opportunities and Threats**. This may help in better use of strengths, overcoming weaknesses, capitalizing the opportunities and safeguarding against threats. **Refer to the concept of Johari Window given by Luft and Ingham (1973)**.

The closed window is also referred as **Private**, being private to self.

	KNOWN TO SELF	NOT KNOWN TO SELF
KNOWN TO OTHERS	ARENA	BLIND
NOT KNOWN TO OTHERS	CLOSED	DARK

Emotional Intelligence

'Emotional Intelligence abilities such as being able to motivate oneself and persist in the face of frustration; to control impulse and delay gratification; to regulate one's moods and keep away distress from swamping the ability to think; to empathize and to hope'.

- **Self Awareness:** Ability to recognize, understand one's mood, emotions and drives, as well as their effects on others.
- **Sell Regulation:** Ability to control or redirect disruptive impulses and moods and propensity to suspend judgment – to think before acting.
- **Self Motivation:** Passion to work for reasons that go beyond money or status and propensity to pursue goals with energy and persistence.
- **Empathy:** Ability to understand the emotional make-up of others and skill to treat people according to their emotional reactions.



- **Social skills:** Proficiency in managing relationships and building networks and ability to find common ground and build rapport.

Morale

Morale is an important mental state and the spirit of a person or group which is dependent on a number of intangible factors within the organization. High morale of an individual or a group contributes significantly to the achievement of organizational goals. Morale is generally exhibited by confidence, cheerfulness, discipline, and willingness to perform assigned tasks.

Employee Morale Booster

- **Welcome Ideas:** Employee morale improves when staff feels they are valued. Share and implement their innovations and ideas.
- **Keep Score:** Mount a large score board in the office to recognize top performers and to motivate those on the bottom of the list.
- **Inspect:** The old management adage, inspect what you expect is true. Companies with a lack of focus can confuse staff and lead to less morale.
- **Thank You Note:** Send a special 'thank you' letter to your staff's family or spouse, praising their good work and efforts.
- **Huddle:** Have a daily morning huddle to highlight tasks for the day and to cheer yesterday's wins.
- **Open Up:** Provide an open forum or one-on-one time to allow employees to express their concerns and feelings can be an easy means to boost morale.
- **Have Fun:** Special events and outside work activities can take the pressure off the day- to-day grind in the office.
- **Show Charity:** Get your staff involved in a bigger cause to help them see there is more to life than work.
- **Add Perks:** Use low cost perks such as a Foosball table in the lunch room.
- **Fire Staff:** Sometimes the root cause of low employee morale can be a staff member whose negativity brings down the group. Even a top performer can bring down staff behind your back.
- **Measure It:** Keep tabs on the levels of morale in your business by regularly measuring employee satisfaction.

Talent Management

- There is a growing gap today between the demand of skilled human resources and supply of the same. Every organisation is facing a challenge of acquiring and retaining the best talent available. As a result of this crunch, acquiring the right talent for the right position has become an exceedingly difficult task for the organisations.
- In simple parlance, 'Talent' is the visible face of Human Resource and a dynamic and strategic activity of the Human Capital Management. At academic level, 'Talent' is all about three Cs i.e., Competence which deals with the head/mind (being able to do), Commitment which deals with hands and feet (action) and Contribution which deals with the heart (doing it well).



- A better understanding on the dynamics of the term 'Talent' would help the Banks manage it better, arrest the rising human capital shortfalls and finally to build effective and progressive Human Capital. Given this background, the PSBs which can integrate the above three Cs in a most effective way, will be on the course to compete with the best Banks.

The elaborative key elements of talent management include:

- Attracting the right talent
- Onboarding
- Creating a Talent pool
- Designing Talent Career path
- Retaining Talent

Succession Planning

- Another area of concern these days, is the changing demographics within the organisation. On the one hand, it has made the alignment of business and skill difficult, on the other, it has created a big problem in the area of succession planning. Succession planning happens to be a particularly important part of the Talent management process for almost all the organisations.
- Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role in an organisation. As an organisation expands, it loses key employees, provides promotional job opportunities and increases sales, its succession planning guarantees that it has talented and experienced employees ready and waiting to fill the new roles.
- Succession planning is a process of identifying and developing new leaders who can replace old leaders when they leave, retire or die. The term succession planning refers to a business strategy companies use to pass leadership roles down to another employee or group of employees.

These objectives tend to be core to many or most companies that have well-established practices:

- Identify those with the potential to assume greater responsibility in the organisation
- Provide critical development experiences to those that can move into key roles
- Engage the leadership in supporting the development of high-potential leaders
- Build a data base that can be used to make better staffing decisions for key jobs

The following objectives are achieved through succession planning/career planning:

- Improve employee commitment and retention
- Meet the career development expectations of existing employees
- Counter the increasing difficulty and costs of recruiting employees externally



CAIIB Paper 1 (ABM) Module B Unit 3: Human Implications of Organisations

Human Behaviour and Individual Differences

The behaviour of an individual is influenced by several factors. **These can be grouped under the following heads:**

- **Environmental Factors:** (a) Economic, (b) Social (norms and cultural values), and (c) Political;
- **Personal Factors:** (a) Age, (b) Sex, (c) Education, (d) Abilities, (e) Marital Status, (f) No. of dependants;
- **Organizational Factors:** (a) Physical Facilities, (b) Organization Structure and Design, (c) Leadership, (d) Compensation and Reward System; and
- **Psychological Factors:** (a) Personality, (b) Perception, (c) Attitudes, (d) Values. (e) Learning.

Employees Behaviour At Work

There are some basic assumptions about human behaviour at work:

- There are differences between individuals.
- Concept of a whole person.
- Behaviour of an individual is caused.
- An individual has dignity.
- Organizations are social systems.
- There is mutuality of interest among organizational members.
- Organization behaviour is holistic.

While the first four concepts centred around people, the next two are concerned with organizations. The last one is a combination of the first six assumptions.

Persons differ and again, there are certain 'commonalities' in the persons. Every person is, in certain respects,

- like all other persons,
- like some other persons, and
- like no other person.

This position indicates that an individual possesses some common characteristics of most of the people. He may have some features of some other people. He may also have some characteristics which other persons do not have, i.e. the features unique to an individual.

There are several theories to explain the concept of personality.

One dimension of personality which is getting attention both from organizational as well as medical researchers is the Type A and Type B behaviour profiles.



A person exhibiting Type A behaviour is generally restless, impatient with a desire for quick achievement and perfectionism.

Type 'B' personality people are much more easy going, relaxed about time pressure, less competitive and more philosophical in nature.

Friedman, Meyer and Ray Roseman have mentioned the following characteristics of Type W personality:

1. Restless by nature, so that he always moves, walks and eats rapidly.
2. Is impatient with the pace of things, dislikes waiting and is impatient with those who are not impatient.
3. Multitasker – does several things at once.
4. Tries to schedule more and more in less and less time, irrespective of whether everything is done or not.
5. Usually does not complete one thing before starting on another.
6. Often displays nervous gestures such as clenched fist and banging on a table.
7. Does not have time to relax and enjoy life.

Type B personality exhibits just the opposite characteristics and is more relaxed, sociable and has a balanced outlook on life.

Erikson has identified eight developmental stages in explaining the personality. These stages which are based on a person's state of mind at a given point of time are mentioned below:

- **Stage 1:** Trust versus Mistrust
- **Stage 2:** Autonomy versus Shame and Doubt
- **Stage 3:** Initiative versus Guilt
- **Stage 4:** Industry versus Inferiority
- **Stage 5:** Identity versus Role Diffusion
- **Stage 6:** Intimacy versus Isolation
- **Stage 7:** Growth versus Stagnation
- **Stage 8:** Integrity versus Despair

Important Theory

Psycho-analytical Theory (PT):

- **PT is based primarily on the Freudian concept of unconscious, subconscious and conscious nature of personality.** Freud noted that his patient's behaviour could not always be explained. This led to him believe that the personality structure is primarily founded on unconscious framework and that **human behaviour and motivation are the outcome of psychoanalytic elements, namely, id, the ego, and the super ego.**



Trait Theory:

- **Trait theory believes that the traits of a person which determine his personality and behaviour** are basically inherent to a person, that is, more of a heredity impact than the environment . Trait theory explains personality as a demonstration of certain traits of the individual.
- While there are many traits common to most people, there are many other traits that are unique to a person and are not shared by other individuals. On the basis of Trait theory, **people can be described as aggressive, loyal, pleasant, flexible, humorous, sentimental, impulsive, cool and so on.**

Self-Concept Theory

- **This theory believes that personality and behaviour are to a great extent determined by the individual himself.** We have an image of our own and our actions would be consistent with that image. Carl Rogers is closely associated with this theory.
- According to him, the best vantage point for understanding behaviour is from the internal frame of reference of the individual himself. An individual himself is the centre of experience. **His self-image is an integral of how he views himself and his perception of how others view him.**

Social Learning Theory:

- **This theory believes that personality development is more a result of social variables than biological factors.** Much of human behaviour is either learnt or modified by learning. Through learning, **one acquires knowledge, attitudes, values skills, etc.**

Personality and Brain (Left and Right Brain)

An important biological factor which influences personality is the role of brain of an individual. Two types of contribution can be found in this area: **Electrical stimulation of the brain (ESB) and split brain psychology.**

Left Hemisphere Controls Right side of body	Right Hemisphere Controls Left side of body
Speech and Verbal	Spatial and musical
Logical and Mathematical	Holistic
Linear and Detailed	Artistic and symbolic
Sequential	Simultaneous
Controlled	Emotional
Intellectual	Intuitive, creative
Dominant	Minor (quiet)



Active	Spiritual
Analytic	Synthetic, gesalt-oriented
Reading, writing, naming	Facial recognition
Sequential ordering	Simultaneous
Perception of significant order	perception of abstract
Complex motor sequence patterns	Recognition of complex figures

Note: Adapted from Freed Luthans, Organizational Behaviour, 6th Ed.

The Left and Right hemispheres of the brain are attributed with some specific dimensions and characteristics as shown in this table. These areas are, however, still open for further research.

Holland's Typology of Personality and Congruent Occupations

Type	Personality Characteristics	Congruent Occupation
1. Realistic: Prefers physical activities that require skill, strength and coordination.	1. Shy, genuine, persistent, stable, conforming, practical.	1. Mechanic, drill press operator, assembly-line worker, farmer.
2. Investigative: Prefers activities that involve thinking, organizing and understanding.	2. Analytical, original, curious, independent.	2. Biologist, economist, mathematician, news reporter.
3. Social: Prefers activities that involve helping and developing others	3. Sociable, friendly, cooperative, understanding	3. Social worker, teacher, counsellor, clinical psychologist.
4. Conventional: Prefers rule-regulated, orderly,	4. Conforming, efficient, practical, unimaginative,	4. Accountant, corporate manager.



and unambiguous activities, flexible file clerk	bank teller.	
5. Enterprising: Prefers verbal activities where there are opportunities to influence others and attain power.	5. Self-confident, ambitious, energetic, domineering.	5. Lawyer, real-estate agent, public relations specialist, small business manager.
6. Artistic: Prefers ambiguous and unsystematic activities that allow creative expression.	6. Imaginative, disorderly, idealistic, emotional, impractical.	6. Painter, musician, writer, interior-decorator

Theories of Motivation and Their Practical Implications

What is Motivation?

- **Motivation in an organizational context is referred as 'the extent of willingness of an employee to respond to the organizational requirements'.** Motivation is generally directed, consciously or unconsciously, towards satisfaction of needs (motives). Motivation as a behavioural concept is of great interest to the executives and managers in organizations today.

Theories of Motivation

The various theories of motivation are:

- Scientific Management or Rational Economic View
- Human Relations Model
- Abraham Maslow's Need Hierarchy Theory
- Frederick Herzberg's Two-Factor Theory
- Clayton Alderfer's ERG Theory
- Achievement Motivation Theory
- Victor H Vroom's Expectancy Model
- James Stacy Adams' Equity Theory
- Lyman W. Porter and Edward E Lawler - Performance Satisfaction Model.
- Reinforcement Theory

Herzberg's Two-Factor or Motivation-Hygiene Theory



Frederick Herzberg (1959) extended the work of Maslow and developed a specific content theory of work motivation. He conducted a widely reported study on about 200 accountants and engineers from eleven industries in Pittsburg, USA. He used the critical incident method of obtaining data for analysis.

Herzberg's theory is based on a two-factor hypothesis, that is, factors leading to job satisfaction and the factors leading to job dissatisfaction. The factors so identified were classified by him into two categories:

- Motivational Factors; and
- Hygiene or Maintenance Factors

Motivational Factors

These factors are related directly to the job itself. The presence of such factors creates a highly motivating situation, but their absence does not cause dissatisfaction. People tend to respond positively to the presence of such factors. **Herzberg mentioned six such factors:**

- Recognition
- Advancement
- Responsibility
- Achievement
- Possibility of Growth
- Work itself

Factors like achievement and responsibility are related to job itself and others emanate from it. This set of factors has been designated as motivators or satisfiers and are related to job contents.

Hygiene or Maintenance Factors

This set of factors is such that their presence does not significantly motivate the employees but their absence cause serious dissatisfaction. The non-availability of such factors is likely to affect motivation and bring down the level of performance.

Maintenance factors mostly are related to environment, outside the job. Herzberg named ten such factors:

- Company policy and administration
- Technical supervision
- Interpersonal relations with subordinates
- Salary
- Job security
- Personal life
- Working conditions
- Status
- Interpersonal relations with supervisors
- Interpersonal relations with peers and colleagues



Motivation and Behaviour

- **Behaviour of an individual is generally motivated by a desire to achieve some goal. Behaviour is either an 'activity' or, 'a series of activities'.** Each activity is supported by motivation. Individuals differ not only in their ability to do but also in their will to do, or motivation.
- Motives are sometimes defined as needs, wants, drives, or impulses within the individual. These are directed towards goals, which may be conscious or subconscious. Goals are outside an individual. Goals are sometimes referred to as 'hoped for' rewards towards which motives are directed.

Motivation to Work

- Manager should also know specific ways and techniques to motivate employees in the work situation. Most of these techniques are practical in nature and can be adopted by him in the normal course. Some of the frequently used common incentives in organizations are:
- Money, appreciation, job enlargement, job enrichment, job rotation, participative management, and quality of work.

Factors contribute to the quality of work life:

- Adequate and fair compensation.
- A safe and healthy environment.
- Jobs aimed at developing and using employee's skills and abilities.
- Growth and security; jobs aimed at expanding employees' capabilities rather than leading to their obsolescence.
- An environment in which employees develop self-esteem and a sense of identity.
- Protection and respect for employee's rights to privacy, dissent, equity. etc.
- A sensible integration of job career and family life and leisure time.

Role Set Conflicts

The role set consists of important persons who have different expectations from the role

that an individual occupies. The conflicts arise due to incompatibility among the expectations of significant others and the individual himself. **These role set conflicts take the following forms:**

- Role ambiguity
- Role Expectation Conflict
- Role Overload
- Role Erosion
- Resource Inadequacy
- Personal Inadequacy
- Role Isolation

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CAIIB Paper 1 (ABM) Module B Unit 4: Employee Feedback and Reward System

Employees' Feedback

- **Satisfaction of employees at workplace is considered an important parameter for achieving organizational objectives.** Progressive organizations always try to get the regular feedback from the employees on various human resource management aspects, and new initiatives taken in this regard through some satisfaction or climate surveys.
- The information is gathered both formally and informally about the attitude and satisfaction of employees. This information is used for refining and fine tuning the policy initiatives from time to time. At formal level the information and feedback is gathered through well designed **questionnaires, psychological instruments, Suggestion schemes, etc.**

Feedback through Climate Surveys



Organizations used to measuring employees' perceptions of the prevailing climate in an organization are called climate surveys. **The coverage of a typical survey can be as follows:**

- **Structure:** The feeling that employees have about the constraints on the groups, rules, regulations, procedures, communications channels (layers in decision making), delegation and authority, etc.
- **Responsibility:** The feeling of being your own boss, clarity of role and responsibility vis-a-vis superior, subordinates and peers, etc.
- **Reward:** The feeling of being rewarded for a job done well, perception about reward and punishment system, perception about pay and promotion, etc.
- **Risk:** The sense of riskiness and challenge in the job and in the organization, and any emphasis on taking calculated risk (risk taking is encouraged and bona fide errors are protected) or playing safe is encouraged and accepted.
- **Warmth:** The general feeling of fellowship that prevails in the workgroup atmosphere, the prevalence of informal supporting culture and social groups.
- **Support:** The perception about helpfulness of managers and other employees in the group, emphasis on mutual support from above and below in the hierarchy.
- **Standards:** The perceived importance of implicit and explicit goals and performance standards, the emphasis on doing a good job, the challenge represented in personal and group goals.
- **Conflict:** The feeling that the managers and other workers want to hear different opinions, the process of conflict resolution, opportunity to express the views, etc.
- **Identity:** The feeling of belonging to the organization and perceived value in the organization and work group, etc.

Reward and Compensation System

The wages in the form of compensation is viewed as the main attraction to join or change a job. The compensation should not be so meager that employees do not feel motivated to put in their best. **the compensation should be such that it continually attracts talent, it is a major source of retention** of the existing manpower and has an edge which motivates them to give their best.

'Total Rewards'

- "Total Rewards" is described as the full combination of monetary and non-monetary investments, they make in their workforce to attract, retain and engage the people they need to operate its business successfully. The total rewards framework shows us that there are three primary categories of rewards that influence our decisions to join, perform in, and stay with an organisation. These three categories are Pay, Benefits, and Intangible Rewards. Total Rewards,

which consists of the foundational rewards, performance-based, and career and environmental rewards.

- Foundational rewards include the base salary, healthcare, retirement and insurance; performance-based rewards add up as short-term and long-term incentives, any profit sharing plans and recognition, and finally career & environmental rewards include career development programs, mentoring programs, talent mobility opportunities, well-being programs and flexibility in working arrangements. Generally, there are five pillars of a comprehensive rewards system: compensations, benefits, flexibility, performance recognition and career development.



The six elements of total rewards that collectively define an organisation's strategy to attract, motivate, retain and engage employees are:

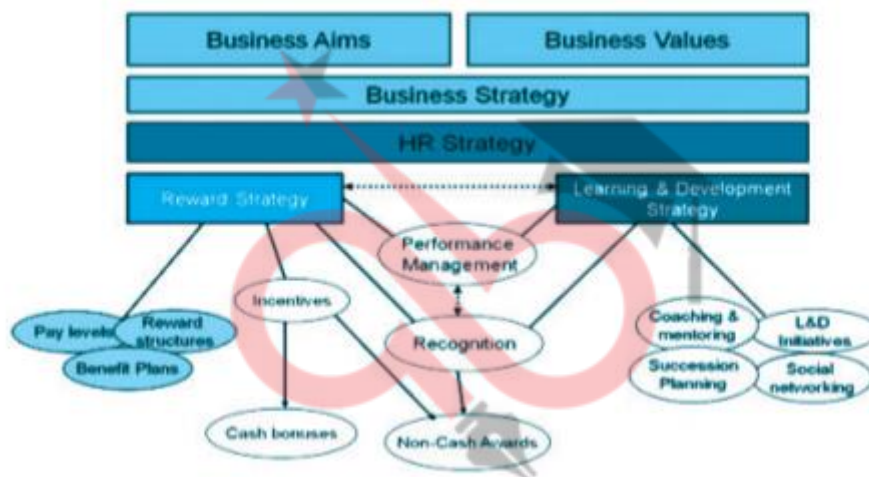
- **Compensation:** Pay provided by an employer to its employees for services rendered (i.e., time, effort, skill). This includes both fixed and variable pay tied to performance levels.
- **Benefits:** Programs an employer uses to supplement the cash compensation employees receive. These health, income protection, savings and retirement programs provide security for employees and their families.
- **Work-Life Effectiveness:** A specific set of organisational practices, policies and programs, plus a philosophy that actively supports efforts to help employees achieve success at both work and home.
- **Recognition:** Either formal or informal programs that acknowledge or give special attention to employee actions, efforts, behavior or performance and support business strategy by reinforcing behaviors (e.g., extraordinary accomplishments) that contribute to organisational success.

- **Performance Management:** The alignment of organisational, team and individual efforts toward the achievement of business goals and organisational success. Performance management includes establishing expectations, skill demonstration, assessment, feedback and continuous improvement.
- **Talent Development:** Provides the opportunity and tools for employees to advance their skills and competencies in both their short- and long-term careers.

Reward Strategy

Armstrong & Murlis (Reward Management, 5th edition, 2007) described the importance of direction as an element in a reward strategy:

“Reward strategy determines the direction in which reward management innovations and developments should go to support the business strategy, how they should be integrated, the priority that should be given to initiatives and the pace at which they should be implemented.”



Types of Compensations

Compensation is expressed in terms of money. It would thus include: wages or salary, bonus, cash allowances and benefits such as accident, health insurance cover, employer's contribution to the retirement funds, provision of accommodation, etc. The jobs are broadly classified in four groups and the compensation for them is commonly referred to as shown below:

- Managerial (top, middle, junior) ... remuneration
- Supervisory ... salary
- Clerical or Administrative ... salary
- Unskilled, semi-skilled, skilled and highly skilled ... wages

Compensation Base

Compensation policy is an important element in personnel management. What is the basis or factors on which compensation gets decided? It could be:



- Company objectives
- Market situation or prevailing market rate
- Internal and external pressures.

Compensation Theories

Let us now consider conceptual and theoretical aspects of compensation. A good compensation package should cover factors like **adequacy, societal considerations, supply and demand position, fairness, equal pay for equal work and job evaluation**. These concepts are explained briefly:

Adequacy of Wages

The Committee on Fair Wages pronounced certain wage concepts such as:

- Minimum wages
- Living wages
- Fair wages
- Need-based minimum wages

Alignment of Corporate Strategy, HR Strategy and Compensation system

Strategy	HR Program	Compensation System
Innovator	Committed to agile , risk taking, innovative People	Reward innovation in products Market based pay Flexible
Cost Cutter	Efficiency Operational Excellence	Focus on competitors labour cost increase variable pay Emphasize productivity Focus on system control and work Specifications
Customer Focused	Delight Customer Exceed Expectations	Customer Satisfaction Incentives Value of Job and Skills based on Customer contact

Societal Consideration and Legal Framework

The level of compensation in any industry, theoretically, gets decided by the socio-economic considerations. Skewed distribution of wages will make the flow of supply shift and with the application of basic principle of demand and supply the equilibrium will be attained. This means that the compensation levels will, more or less,



tend to be at par for the comparable work. In practice, however, this happens very rarely. In the free economy the Government does not control the aspect of wage administration and normally the market forces determine the compensation level. However, the administration is bound to protect the workforce from irrationally low wages. **Taking this as the prime objective the Indian Government has enacted:**

- The Payment of Wages Act, 1936,
- The Minimum Wages Act, 1948
- The Payment of Bonus Act, 1965, and
- The Equal Remuneration Act, 1976.

Job Evaluation

This is one important measure to determine the level of compensation package. A scientific job evaluation will ensure parity of compensation levels for similar or equal jobs. It also helps in distinguishing jobs in the level of **complexity, skills required, the risk involved and link compensations accordingly**. Job evaluation is a method of appraising the value or worth of one job in comparison to other jobs in the organization.

The objectives are:

- To determine the compensation rates
- To link pay with the requirement of the job
- To provide for pay differentials taking into account skills, efforts, hazards required in each job
- To establish a compensation structure.

Job Evaluation Techniques

Non-quantitative Methods:

- Ranking or Job Comparison
- Grading or Job Classification

Quantitative Methods:

- Point Rating
- Factor Comparison

Designing Compensation Structure

- **Step 1:** Create a complete job Description for Jobs
- **Step 2:** Calculate the Job evaluation point for the Job, provide a rationale for assigning specific degree to the various Jobs.
- **Step 3:** Outliers to be considered, (assume no extreme data points exists in the dataset)



- **Step 4:** Conduct a simple regression in Excel to create a market pay line by entering the job evaluation point (on the X axis) and the respective weighted average market base pay (on the Y axis) for each benchmark job.
- **Step 5:** Finding out R squared (Variance explained)? Is it sufficient to proceed?
- **Step 6:** Calculate the predicated base pay for each benchmark job.
- **Step 7:** Assuming company wants to lend in base pay by 3%, adjust the predicated pay rates to determine the base pay rate you will offer for each benchmark job.
- **Step 8:** Create pay grades by combining any benchmark jobs that are substantially comparable for pay purpose.
- **Step 9:** Determine the pay range (Minimum & Maximum) for each pay grade.
- **Step 10:** Given the pay structure you have generated.

CAIIB Paper 1 (ABM) Module B Unit 5: Performance Management

Introduction

Heyel defines performance appraisal as 'a process of evaluating the performance and qualifications of the employees in terms of requirements of the job for which they are employed, for the 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.'

Appraisal Systems

Performance appraisal is an organizational necessity. Various appraisal systems have evolved over a period of time. These systems vary from simple to complex, from vague to objective, from unstructured to structured and from confidential to open.

An organization has the option to device its own system or can adopt, with certain modifications, some other's system. What system one should choose will depend on whether it fulfills the objectives the organization wants the system to serve.

Objectives of Performance Appraisal System

- **Judgemental** - for salary increases, transfers and promotions;
- **Developmental** - telling an employee how is he doing and suggesting changes in his skills, attitudes, behaviour;
- **Counseling by superior** - for giving feedback and understanding problems for poor performance.

Uses of Performance Appraisal

- It rates all the employees in a unified manner by using the same rating scales and thus making them comparable on a common footing.
- It provides information which could be critical while deciding on promotion, pay increases, transfers, training, etc.



- It provides information about the areas of weaknesses of the employee to enable initiation of corrective steps.
- It improves the quality of supervision as the supervisor becomes a keen observer.
- The system, if implemented with openness and trust, ensures better interpersonal relations between the employee and his supervisor.

Performance Appraisal Process

There are following steps in the evaluation process:

- The process begins with the organization setting the '**performance standards**' in advance. These standards should be clear, realistic and measurable. It is advisable to involve the line managers in the exercise as they understand the nuances and nitty- gritty of the job.
- The performance standards then are required to be communicated to the employees.
- The next stage is to measure the performance. It can be done through the data available with the **department, personal observations, and feedback from the appraises.**
- Performance level of the employee is then compared with the benchmark or standard already established. Deviations are discussed and the reasons for deviations are noted.
- The outcome is discussed with the employee, emphasising the strong points and counselling him on the weak points.
- The last step is to initiate corrective measures and act on the positive performance by deciding on various incentives **like increments, promotions, training needed, etc.**

Performance Appraisal Methods

Traditional Methods

- Free Form Essay Method
- Straight Ranking Method
- Comparison Method
- Grading Method
- Graphic or Linear Rating Scales
- Forced Choice Description Method
- Forced Distribution Method
- Group Appraisal Method

Modern Methods

- Assessment Centre Workshops
- Management by Objectives
- Human Asset Accounting Method
- Behaviourally Anchored Rating Scales
- 360 Degree Appraisal Method



Management By Objectives (MBO):

This method attempts to minimise external controls and emphasises on the motivation levels of the employees. This is sought to be achieved through joint goal setting and the employee participation in the decisions that directly affect him. The objective of the MBO is to change the behaviour and attitude in respect of getting the results. It is a result-oriented system. The system emphasises on goal achievement rather than the method involved.

MBO Process

- The organisational goals are first set and are clearly stated in measurable targets. These goals have to be realistic and achievable, although challenging.
- The goal setting process is a joint process. The short-term performance goals are set jointly by the employees and their superiors.
- There are frequent reviews of performance through one to one meetings.
- Sharing of feedback in such meetings helps in altering the course of action, if required. It acts as a motivating factor as one gets to know where he stands through the feedback session.

Advantages of MBO

- It involves participative approach in goal-setting.
- It enhances the motivational levels of the employees.
- It creates an atmosphere of competition within the organisation for enhanced performance.
- It provides objective appraisal method.
- Problems can be identified in the early stages through reviews and feedback sessions.
- It is an effective tool for identifying the training and development needs.

Disadvantages of MBO

- It is a system which concentrates on results and not on the process.
- It may lead to unhealthy competition amongst the employees.
- It may create a conflicting situation when it comes to goal-setting.
- Sometimes, very soft targets are set to show higher performance achievement.

Performance Appraisal versus Confidential Report

In a large number of organizations the **annual performance appraisal** exercise is carried out as a confidential activity. In fact, the **form in which the performance of the employee is evaluated and reported is called confidential report.**

Merits and Demerits of performance appraisal system

Advantage



- It reveals a concern for performance and creates an atmosphere of openness and trust in the organization.
- Gives feedback to the employee and ensures that corrective steps are taken in time.
- It raises the general motivation level of the employees if implemented properly.

Disadvantage

- **The halo effect** — a tendency to allow one trait or characteristic of an employee to influence the assessment. The halo is to rate an employee consistently high or low.
- The leniency or strictness tendency of the superior interferes with the appraisal and accordingly the assessment gets influenced. The superior is unable to come out of these tendencies.
- The central tendency problem refers to assigning average ratings to all the employees without properly evaluating each aspect of appraisal carefully and fearlessly.
- Similar error is the tendency of comparing the employee with oneself on various traits and parameters. Those who show the similar characteristics are normally rated high.

Characteristics of a Good Performance Appraisal System

A good performance appraisal system should essentially possess the following characteristics:

- Objective
- Transparent
- Provide timely feedback
- Provide opportunity for self-appraisal
- Identify the potential and needs of employees
- Discriminate between high and low performers
- Perceived as an effective tool for enhancing employees' potential
- Identify impediments for low performance

Common Errors in Performance Appraisals

- Halo Effect
- Horn Effect
- Central Tendency
- Strict Rating
- Lenient Rating
- Status Effect
- Spillover Effect
- Initial Impression
- Latest Impression (Recency Effect)
- Same as Me
- Different from Me



- Performance Factor Order
- Sympathy Effect

Giving Feedback

Giving a feedback without hurting a person's feelings is an art. **The points covered above in respect of appraisal interview are also relevant for giving feedback to the employee.** To give feedback, it is necessary to arrange the meeting in a congenial environment. After carefully listening to the employee, the appraiser should take command of the situation and give an honest feedback to the employee with an objective to help his development. **The following points are crucial for giving feedback:**

- The feedback should be objective and should help employee in reaching appropriate level of performance in future.
- The feedback should be suggestive in nature rather than Judgemental and should focus on the training and developmental needs of the employee.
- The superior should adopt a problem-solving approach and not fault-finding approach. The trust of the employee will be reinforced if a sincere attempt is made in giving feedback with an intention to help him.
- The superior should never lose sight that his aim is to improve the performance of the appraisee and not to criticize him.

Do's and Don'ts

Based on what has been discussed above, the DO's and DON'Ts of the appraisal interview and giving of feedback can be easily summarized:

Do's

- allow the employee to do the maximum talking,
- encourage him to describe his success and failure,
- create an atmosphere where he will open up.
- praise him for his achievements.
- tell him honestly what you think where he could have done well,
- ask him what kind of help he expects from you.
- extend to him all that you can do for him.

Don'ts

- arrange a meeting when you are unable to devote time undisturbed.
- allow any kind of disturbance once the meeting starts,
- adopt judgmental role,
- criticize him for his failures.

Counselling



The prime purpose of counselling is to communicate to employee the feedback of the performance and expectations and, help the employee to understand the areas of concern with the sole objective of improvement of his performance. If the feedback system is effective, the employee not performing up to the mark gets to know clearly where he stands against the set benchmarks.

The following could be considered as counselling skills:

- It is essential to follow the stages mentioned earlier in respect of appraisal interview and feedback session. It helps in creating conducive atmosphere. The appraiser should realize that it is a common human tendency to react negatively to the feedback process, and particularly to the counselling process.
- The process should start by communicating the purpose of the counselling.
- The appraiser should be specific and descriptive when he is evaluating the performance.
- Appraiser should avoid commenting on the person and centre his discussion on the issues related to performance.
- His intention should be to assist the employee to overcome his problems. With this prime objective, even when he is criticizing the behaviour (and not the person) he should do it carefully. Criticizing without crippling should be the motto.
- He should listen to the employee and try to help him.
- He should offer workable solutions and act where the appraises can initiate improvement.
- Appraiser should not have any prejudice about the employee and try to evaluate the employee's version objectively.
- Successful counselling is effective listening.

Competency Mapping And Assessment Of Competencies

Every employee in an organisation has to be competent and to perform in order to retain his job and expect to grow in the organisational hierarchy. In a dynamic environment with the explosion of new knowledge and technology, one has to acquire knowledge and skills on an on-going basis to remain competent and competitive.

The past performance does not guarantee future success. In simple words, Competency is a knowledge, skill or attitude (KSA). You could have multiple derivatives from this definition as well. Competency is a set of demonstrable characteristics and skills that enable, and improve the efficiency of, performance of a job.

Some of the useful definitions of the competency are as follows:

- Competency is an underlying characteristic of an individual that is related to effective and/or superior performance in a job situation. (Spencer and Spencer 1993)
- A cluster of related knowledge, skills and attitude that affect a major part of effective and/or superior performance in a correlates with performance on the job, can be measured against well-accepted standards, and that can be improved via training and development. (Lucia and Lepsinger 1999)



- Competency is underlying characteristics required to perform a given task, activity or role. Competency has the following forms correlates with performance on the job, can be measured. (Gomes 2007)
- Competencies as the key components of performance related to “clusters of life outcomes”. They can be interpreted as broad as any kind of psychological or behavioural characteristics related to success in a person’s life. (McClelland 1973)
- Competencies are a set of interrelated knowledge, skills and attitudes that represents a key component of a person’s job role and responsibility, that associates with performance in a job, that can be measured against well-established standards, and that can be reinforced through training and development. (Parry 1996)

‘Competence’ vs ‘Competency’

- A review of literature suggests that ‘competency’ and ‘competence’ are two distinct ‘approaches’ in the context of HRM. The first one i.e., ‘Competency’ is person-oriented behavioural approach. This approach commonly uses the term ‘competencies’ to refer to the behaviours or personal attributes supporting an area of work.
- The second one i.e., ‘Competence’ is task-oriented functional approach. This approach, on the other hand, uses the term ‘competence’ more frequently for describing an area of work tasks or job outputs. However, it is argued that both ‘competency’ and ‘competence’ complement each other. ‘Being competent’ as achieving the job demands or roles while ‘having competencies’ as demonstrating the essential behaviours for effective work performance.

The broad differences between ‘Competence’ and ‘Competency’ are:

S.No.	Competence	Competency
1.	It focuses on the results or outcomes.	It focuses on the person's behaviour and attitudes.
2.	It describes the features of work and tasks as also the job outputs or performance.	It describes the traits and attributes of the person concerned.
3.	It constitutes the various skills, knowledge and attitudes that are required for performing a particular job.	It constitutes the underlying attributes of the concerned person for superior work performance.
4.	It is not transferable in as much as each skill and/or knowledge level is more specific to perform a particular job.	It is easily transferable from one person to another.
5.	It is assessed by performance on a particular job.	It is assessed in terms of behaviours and attitudes.
6.	It is task-oriented.	It is people-oriented.

Competency Levels

A common competency may be required at different level for different job. Organisation typically define in their competency profiles the levels of performance



(proficiency) to be attained for each competency. These are often driven by the use to be made of the competency profiles. For example:

- **At Entry Level:** It is the standard expected of employees on entry into a role. This is often used when the new entrant must learn or be trained to be able to perform to the standards required within the role of a new employee
- **Fully Effective Level:** It is the level required of experienced employees who are performing at the expected standard for their role
- **Stretch/Mastery Level:** It is typically displayed by employees who have mastered their role. These employees are often sought out by other employees and supervisors to provide advice or assistance

Assessment Centres

- The origin of the Assessment Centre (AC) goes back to its use by the Office of Strategic Services (OSS) during the Second World War of work simulations to identify potential agents. However, the use of multiple exercises and simulations and the assessment of performance by multiple observers have its origin in pre-war German military efforts to identify leadership potential.
- The British War Office Selection Board used this method during Second World War for military usage conducted by the Army, Navy and Air Force. It was also used by British public sector selection procedures and the police.

Process of Designing an Assessment Centre

The Task Force on Development of AC Standards (1979) set up to establish good practice in this area lays down the following seven conditions that need to be met if an Assessment Technique wishes to be regarded as an Assessment Centre. (Technique is the standardised evaluation of behaviour.) – **Seven Essential Elements of Assessment Centre:**

- **Multiple Assessment Technique** There should be multiple assessment techniques out of which at least one must be a simulation exercise designed to elicit behaviours related to dimensions of performance on the job and must be parallel or resemble stimuli in the work situation, e.g., In-basket exercise, Group Discussions, Fact finding exercise, etc.
- **Multiple Assessors** The number of observers/assessors must be proportionate to the participants, 3-4 participants per assessor. Each participant must be assessed by more than one assessor for every activity to reduce the bias of assessment. The assessors must be experts in the assessment techniques and should receive training, briefing prior to participating in the Assessment/Development Centre.
- **Pooling of information** Judgments resulting in an outcome or feedback must be based on pooled information from the assessors. Wide variations in the evaluation must be sorted out through discussion between the assessors. Each assessor is required to record the critical incidences while assessing the candidates. These notes help in resolving the assessment disparities between the assessors.



- **Time of Observation** An overall assessment of behaviour must be made by the assessors at a separate time from the observation of behavior after compiling the entire data received from all the sources.
- **Design of Exercises** The exercises for assessing various competencies should be designed carefully by ensuring their reliability and validity to assess those competencies. The help of experts should be sought to ensure their relevance and effective use. The readymade tools available off the shelf should be thoroughly validated and customised to meet the requirement of assessment centre purpose. the simulation exercise like in-basket exercise, business games, etc., are designed/developed to tap a variety of pre- determined behaviour.
- The dimensions, attributes, characteristics or qualities evaluated by the Assessment Centre are determined by the thorough analysis of relevant job behaviours.
- Techniques used are designed to provide information which is used in evaluating the dimensions, attributes or qualities previously determined.

Tools used in Assessment Centres

A number of exercises/tools or simulations are designed to replicate the tasks and demands of the job for which a candidate is being assessed. These exercises are individual as well as group exercises and the candidates are observed by assessors while they are doing the exercise.

The main exercises done in Assessment Centres are

- Leaderless Group Discussion'
- 'Psychometric Tests',
- In Basket or In Tray' exercise,
- Case Study/Analysis'
- 'Role Play' exercises,
- Business Games, Presentations, etc.

Behavioural Event Interview (BEI)

- Behavioural Event Interview (BEI) is a structured interview technique that is used to collect information about past behavior. It is a technique based on the premise that the best predictor of future behaviour is the past behavior. It attempts to ask open-ended questions that require the interviewee to describe in detail past experiences which demonstrate his ability to perform a job. Each question helps the interviewer learn about interviewee to describe in detail past experiences which demonstrate purpose.
- The Behavioural Event Interview is the heart of the Job Competency Assessment process. BEI data are the richest source of data about competencies that predict superior or effective job performance. The basic principle why it is used for competency assessment is that what people think or say about their motives or skills is not credible. Only what they actually do. The purpose of the BEI method is to get behind what people say they do to



find out what they really do. This is accomplished by asking people to describe how they actually behaved in specific incidents.

Limitations of BEI

- Since the interview method relies on the recall of the respondent, only information that the respondent happens or chooses to remember is presented in the interview.
- This can result in self-serving, biased information. A second limitation arises from the fact that the interviewer asks for decisions, actions, thoughts, and feelings, but not for knowledge or specific information that was the basis for decisions, thoughts, or actions. Therefore, the interviews are not considered adequate sources for determining the specialised knowledge needed by managers to perform their functions.
- Finally, the interpretation and pattern finding from the answers solely reside on the interviewer who may or may not be an expert in Behavioural interview. This may lead to guess work and personal judgment of the interviewer.

CAIIB Paper 1 (ABM) Module B Unit 6: Conflict Management and Negotiation

“Conflict”: Concept & Definition

- ‘Conflict’ may appear to be a sense of anxiety for most of the people but truly speaking, it is a normal part of any healthy relationship.
- It is part of the human experience.
- Conflict occurs when individuals or groups are not obtaining what they need or want and are seeking their own self-interest.
- Conflict is nothing more than a sharp disagreement or opposition of interests or ideas.
- Whenever two individuals opine in different ways, a conflict arises.
- In a layman’s language conflict is nothing but a fight either between two individuals or among group members.
- No two individuals can think alike and there is definitely a difference in their thought process as well as their understanding.
- Disagreements among individuals lead to conflicts and fights.
- Conflict arises whenever individuals have different values, opinions, needs, interests and are unable to find a middle way.
- As per the Oxford Learners Dictionary, Conflict is a situation in which people, groups or countries disagree strongly or are involved in a serious argument.
- McLean (2005) defines Conflict as the physical or psychological struggle associated with the perception of opposing incompatible goals, desires, demands, wants or needs.



- Conflict is defined as a clash between individuals arising out of a difference in thought process, attitudes, understanding, interests, requirements and even sometimes perceptions.
- A conflict results in heated arguments, physical abuses and definitely loss of peace and harmony.
- A conflict can actually change relationships.
- Friends can become foes as a result of conflict
- Conflicts are natural for a person or a group of individuals.
- They can happen within the family or with the friends for any person. Conflicts are also possible at the workplace.
- After all, two people can't be expected to agree on everything, all the time.
- The key is not to fear or try to avoid conflict but to learn how to resolve it in a healthy way.
- When relationships pass through some conflict, good collaboration is required.
- The way, we handle the Conflict influences, reinforces or destroys the relationship.

Conflicts at the Workplace

- At any workplace, where a number of people are working together, Conflict is a normal and natural occurrence.
- Workplace conflict tends to lower the team morale and increase absenteeism, which normally results in the decrease in productivity.
- Conflict also leads to disruption of desirable state of harmony and stability in an organisation.
- In simple words, Conflict at the workplace, is the struggle that happens when people feel they have incompatible goals, wants, demands or needs.
- It causes a massive degree of frustration, pain, discomfort, sadness as well as anger.
- It has been **estimated that Managers spend at least 25 per cent** of their time resolving workplace conflicts.
- The most common response to any situation of conflict is the flight-or-fight response; some prefer run away or avoid the situation at all costs and others prefer to battle it out.
- In either case, people feel uncomfortable and dissatisfied with the outcome because no resolution is achieved.
- Conflict is inevitable at the workplace, but it can be managed by handling of disagreements, misunderstandings and struggles.
- **An open mind and a positive approach**, definitely makes it easier to manage any Conflict, when it occurs.
- Conflicts lead to disrespect and unnecessary tensions in organisations.
- Individuals talk ill about others and spoil the environment;
- You might be an excellent performer, a diligent worker, but if you keep on fighting with your fellow workers, you would definitely earn a bad name.



- You will be in the limelight but for all the wrong reasons.
- It is always wise to do your work sincerely, pack your bags, go home and come fresh the next day.
- Nobody loves to carry unnecessary tensions; thus it is always advised not to fight at workplaces.

Characteristics Of 'Conflict'

Hocker and Wilmot (1991) have offered several principles on Conflict which are good indicators of the characteristics of Conflict. Such principles are:

- Conflict is universal.
- Conflict is associated with incompatible goals.
- Conflict is associated with scarce resources.
- Conflict is associated with interference.
- Conflict is not a sign of a poor relationship.
- Conflict cannot be avoided.
- Conflict cannot always be resolved.
- Conflict is not always bad.

However, the main characteristics of Conflict can be summarised as under:

Conflict involves opposition

- Conflict is a normal part of any healthy relationship. After all, any person or a group of people cannot be expected to agree on everything, all the time. When an individual or a group of individuals is in disagreement with the other, it leads to Conflict. Thus, conflict takes its course only when opposition is there.

A conflict is more than just a disagreement

- Conflict is not only a disagreement but it is a situation in which one or both the parties perceive a threat. The threat is may be real or just an imagination.

Response to Conflicts is based on perceptions

- Normally, the response to Conflicts is not an objective review of the facts. It is based on the perceptions of the situation, which are influenced by the life-experiences, cultures, values and beliefs of the concerned person or the group.

Conflict is inevitable

- Conflicts are part of all relationships between individuals who work together. Conflict is internal discord that occurs because of a difference in ideas, values or perceptions or in the interpretation of a situation. (Marquid, cited by Kelley, 2006).
- In the world of today, organisations hire employees from diverse geographical locations with dissimilar cultural and intellectual backgrounds, as well as various viewpoints. People of various backgrounds and different work styles are brought



together to work for a shared business purpose. In such a working environment where people have disparate outlooks toward the same problems, disagreements are bound to happen and workplace conflict is inevitable.

Conflict will always remain among humans

- Conflict is an inevitable and unavoidable element of our personal and professional lives and one should not try to avoid it. There is a proverb that says, 'if you always see two friends smiling all the time, it shows that they haven't been telling each other the truth.' Since there will always be differences between human due to the compatibility factor, Conflict will continue to stay in life for everyone.

Conflict cannot be avoided

- Two or more people or groups are different in educational level, family background, organisational training, etc., so conflicts cannot be avoided. Sometimes the end goal can make parties evolve stronger and better.

Conflicts are an opportunity for growth

- Conflicts, once resolved, help to build trust among one-another. They give confidence and strength to believe that relationship can survive challenges and disagreements. Many times, Conflict can also be called a process because it begins with one party perceiving the other to oppose or negatively affect its interests and ends with competing, collaborating, compromising or avoiding.

Are Conflicts Bad and/or Undesirable?

There are three viewpoints:

- Traditionalists believe that Conflict is bad and should be avoided.
- Human relations experts feel that Conflict is natural. It provides an avenue to know the opinions and also, an opportunity for creativity and persuasion. Thus, it calls for an open approach to Conflict.
- Integrationists view Conflict as inevitable and helpful. Conflict is viewed as a positive force except that when it is misdiagnosed, mismanaged or improperly avoided.

Types Of 'Conflicts'

Organisational conflict is disagreement between groups or employees regarding work-related issues. **The three main types of conflict that we find in the workplace are related to task, relationship and values.**

Task Conflict

- Task conflict involves differences based on work details and goals. Task conflict is related to the concrete issues related to employees' duties and expectations at work.



- It also includes assignments given to employees and also disputes about sharing of resources, differences of opinion on procedures and policies and in some cases, even interpretation of facts.

Relationship Conflict

- Relationship conflict is a type of personal conflict that develops over disagreements and differences between individuals or groups. This type of conflict is over personal issues and not work-related.
- Due to its peculiar nature, this type of conflict can be the most difficult to diffuse and resolve in an organisation. Relationship conflicts can be long lasting and hurt overall employee job commitment, productivity, trust and work performance.

Value Conflict

Value conflict arises from fundamental differences in the life experiences, cultures, identities, values and beliefs. This can include even differences in politics, religion, ethics, norms, etc. Disputes about values can also arise in the context of work decisions and policies also.

Intra-individual/Intra-personal Conflict

Conflicts can also arise intra-personal, where an individual's objective and vision differ from his/her company's overall vision. This refers to a conflict within an individual. Conflict can be Intra-individual conflict arises from frustration, numerous roles that demand equal attention but is not always possible to devote, and goals having both negative and positive aspects. In sum, there can be three types of Intra-individual/Intra-personal Conflict which are:

- Goal conflict
- Conflict from frustration
- Role Conflict

Reasons For Conflict

Misunderstandings, lack of communication, disagreement, etc., are an integral part of the work culture but the problem is that when it escalates, it leads to conflict that often hampers the efficiency and productivity level of a company and its employees.

- **Resistance to change:** In this fast-changing working environment, there is a fear of the unknown amongst the employees. It is a fact that the workforce is afraid of the management and does not see their ability to manage a change.
- **Work habits:** A few work habits of the employees can be a cause of conflict in the workplace. Habits like being extra diligent in work and keep on rechecking the file may also become a cause for conflict.
- **Poor communication:** Different communication styles can lead to misunderstandings between employees and supervisors or managers. Lack of communication with team members and managers drives conflict underground.



- **Personality clashes:** All work environments are made up of differing personalities. Team members and managers should understand and accept each other's approach to work and problem-solving. In the absence of such understanding, conflict may occur.
- **Poor performance:** When one or more employees within an organisation are not performing well or are not meeting their potential and the issue is not addressed, conflict is inevitable.
- **Poor supervision:** Sometimes, the managers or supervisors are incompetent at their job and are not smart enough to manage. They play a biased role and listen to only one side of the conversation.
- **Other reasons:** Conflicts may also be caused by any one or more of the following reasons:
 - ✓ **Economics:** Insufficient remuneration to employees. Stress from working conditions such as functional situations.
 - ✓ **Weak Leadership:** When the leader/manager is less qualified and/or having less experience than the team members/employees.
 - ✓ **Poor Organisational Structure and Lack of Teamwork.**
 - ✓ **Status:** When senior position is needed for status and a "wrong" person is promoted.
 - ✓ **Power struggle:** When everyone wants to be a leader and nobody wants to be a follower.
 - ✓ **Incongruence:** An employee is required to do something that is beyond his/her liking or interests. Lack of transparency at the management level

Different Phases Of 'Conflict'

Basically, a Conflict can have five phases, which are as under:

- **Prelude Phase:** It involves all the factors which possibly cause a conflict among individuals. Lack of coordination, differences in interests, dissimilarity in cultural, religion, educational background, etc., are vital aspects in arousing a conflict.
- **Triggering Phase:** No conflict can arise on its own. There has to be an event which triggers the conflict. To illustrate, Ram and Rahim never got along well with each other. They were from different cultural backgrounds, a very strong factor for possibility of a conflict. Rahim was in the midst of a presentation when Ram stood up and criticised him for the lack of relevant content in his presentation, thus triggering the conflict between them.
- **Initiation Phase:** Initiation phase is actually the phase when the conflict has already begun. Heated arguments, abuses, verbal disagreements are all warning alarms which indicate that the fight is already on.
- **Differentiation Phase:** It is the phase when the individuals voice out their differences against each other. The reasons for the conflict are raised in the differentiation phase.



- **Resolution Phase:** A Conflict leads to nowhere and as such, individuals must try to reconcile and compromise to some extent and resolve the conflict soon. The resolution phase explores the various options to resolve the conflict.

Conflict Resolution

- **Conflict triggers** strong emotions and can lead to **hurt feelings, disappointment and discomfort.**
- When handled in an unhealthy manner, it can cause irreparable rifts, resentments and disputes.
- But when conflict is resolved in a healthy way, it increases the understanding of the other person, builds trust, strengthens relationships and thus, helps to increase productivity.
- Key to manage conflict is not to fear or try to avoid conflict but to learn how to resolve it in a healthy way.
- It is the duty of the **management** to resolve the same.
- Resolution of conflict is not an easy job.
- Resolving conflict in a positive manner is a skill that can be developed and practiced.
- By resolving conflict constructively, an organisation can turn a potentially destructive situation into an opportunity for growth, creativity and enhanced performance.
- Now the question is – what style or method should be followed to resolve a conflict? **Well, the easiest three step formula is:**
 - ✓ Listen
 - ✓ Talk
 - ✓ Resolve

The conflict resolution process in five steps can be framed as under:



Find out the source of the conflict

LOOK BEYOND

TAKE SUGGESTIONS FOR SOLUTION

IDENTIFY ACCEPTABLE SOLUTION

FINAL AGREEMENT

Conflict Management

- In most conflicts, neither party is right or wrong; instead, different perceptions collide to create disagreement.
- Conflict is natural and it's up to the organisation to respond to conflict situations quickly and professionally.
- Conflict can be very positive, if one deals with it openly.
- Thus, he/she can strengthen the organisation by correcting problems.
- Conflicting views give a chance to learn more about the people, explore views of others and develop productive relationships.
- Managing conflict is an area of human skills that is necessary because human beings constitute and manage an organisation.
- This may sometimes require training in different skills that can be adopted in different situations of life.
- Such training can be helpful in minimising unnecessary issues that lead to conflict.
- Conflict management is a fundamental requirement for an organisation as it not only helps in resolving the conflict but also enables them to take preventive measures to reduce conflict in the organisation.
- Hence, every organisation is required to establish a conflict management process.
- Studies are going on for a long time to find suitable means and ways to manage conflicts.
- Many styles of conflict management behaviours have been developed.

- **Mary Parker Follett** described them as **domination, compromise and integration**.
- This style involves **openness, exchanging information, looking for alternatives and examining differences to solve the problem in a manner that is acceptable to both parties**.



- **Robert R. Blake and Jane S. Mouton** have presented five styles:
- ✓ forcing, withdrawing, smoothing, compromising and problem solving.
- However, no such conflict management behaviour has been found to be perfectly applicable in all situations.

How to Minimise Conflicts?

- No manager should avoid a conflict, hoping it will go away.
- It would be better to ask the participants to describe specific actions they want the other party to take.
- It would be beneficial to have a third party (meaning a non-direct superior with access to the situation) involved.
- Finally, it is advisable not to meet separately with people in conflict. A manager should take following actions to minimise conflicts:

A manager should take following actions to minimise conflicts:

- **Regular Review of Job Descriptions** With the pace of change, the job description must also change. But this will be possible only when the job descriptions are regularly reviewed.
- **Establish Rapport and build Relationship with all your Subordinates** For establishing rapport, meet them at regular intervals; ask them about their achievements, problems, and challenges.
- **Regular Reports** A manager must get progress report about his subordinates regularly, indicating achievements, current needs and future scenario.
- **Training** Every manager needs to be provided training in interpersonal communication, conflict management and delegation of authority.
- **Mutual Development of Procedures** For routine tasks, the procedures should be developed keeping in mind the inputs received from employees. If possible, encourage them to share their views in writing. Such written procedures should be distributed to all concerned. If need be, concerned employees be trained in those procedures.
- **Holding Regular Meetings** The managers need to hold regular management meetings to inform subordinates about new initiatives to be taken and the progress of current programmes.
- **Suggestion Box Consider** such a box in which employees can provide suggestions.

Negotiation Skills For Resolution Of Conflicts

- Negotiation is useful when two individuals have a similar objective in mind but both of them conflict on how the objective is reached.
- Conflict resolution is a way to quell these conflicts and ensure the objective is met.
- Hence, conflict resolution in its many forms is an imperative tool in having productive negotiation periods that ensure an objective will be met.
- Conflict can involve issues of power and authority.



- Adults may resort to threats and punishments to solve problems with children.
- Labour unions may strike and management may respond by laying off workers.
- These are examples of using power to control, intimidate and force solutions on other people.
- These forced outcomes only add to the grounds for future conflict.
- Conflict resolution is the process of resolving a dispute or a conflict by meeting at least some of each side's needs and addressing their interests.
- Conflict resolution sometimes requires both a power-based and an interest-based approach, such as the use of legal power and attempts to reconcile each party's interests through negotiation.
- Negotiation holds the key to getting ahead in the workplace, resolving conflicts and creating value in contracts.
- Especially in the resolution of conflict, negotiation can play an important role.
- It is really easy to resolve conflict through the art of negotiation.
- Nonetheless, it is possible to turn tense conflicts into productive negotiations and maintain strong relationships between the two parties.
- The importance of negotiation skills in these instances is paramount.
- The right approach to negotiation can improve the situation of multiple parties.
- Conflict negotiation is communication focused on finding an agreement that addresses the concerns of parties who want different outcomes. Common situations that involve handling conflicts in negotiation include:

Conflicts between employees

- Employees may sometimes encounter conflict about responsibilities or work quality.
- Resolving the conflict and addressing these concerns through negotiation is a primary duty of supervisors and managers.

Compensation

- Whether finalising salary for a new employee or entering a contract with a vendor, finding a mutually acceptable rate often requires negotiating between differing ideas of fair pay.

Disputes between a business and the public

- Businesses that serve the public, sometimes need to respond to a dissatisfied customer or group of concerned individuals.
- For example, a restaurant manager could enter conflict negotiation with a dissatisfied customer to resolve an issue with a meal.

Disagreements during collaboration

- Project teams could encounter conflict on factors like how to use limited resources or approach a client request



CAIIB Paper 1 (ABM) Module B Unit 7: HRM and Information Technology

Introduction

- Using **technology** to continuously **improve the quality of the work**. Technology can improve the information available to HR, facilitating HR processes, and making them faster and more effective. One of the biggest allies in **HRM, HRIS is adopted to make organizations more accurate and effective**.
- The banking sector has absorbed maximum technology for their operations. IT has offered a variety of delivery channels to support customers' needs in an efficient and effective manner.

Role Of Information Technology In HRM

As such its first responsibility would be to adopt the IT orientation within the department. There is tremendous scope to use IT in a whole range of HRM functions. viz. recruitment, training, placement, appraisal and reward systems, organizational development initiatives, etc. **The need for use of IT can be seen through the following observations:**

- **Certain basic information about an employee is used by number of functionaries within and outside the HR department**. For instance, if the organization has a geographical spread, the information about an employee is floated at field units, maintained and processed at field administrative units as well as at the corporate (control) office.
- The database related to an employee is becoming broad-based as various dimensions are getting added. e.g. along with the **traditional data regarding salary, allowances, increments, leave, etc.**
- Updating the data could be done partially by **different individuals from different locations**.
- **The decisions related to HR – day-to-day or policy reviews** – need to be embedded in databases to achieve objectivity and consistency in decisions. Such objectivity is imperative and can be achieved as IT enhances transparency.
- Human Resources being one of the significant **components of internal environment, policy review** must be undertaken to respond to the changes.
- To ensure adherence to statutory **requirements, maintaining of such database is needed**.

Human Resource Information System (HRIS)

Human Resource Information System (HRIS) has become an organizational necessity. The need for HRIS is an offshoot of the requirement to take **frequent strategic decisions concerning employees**. Decisions taken on the basis of

information, whether it is **concerning, posting, training, compensation, job rotation, promotion, etc.**

Need for HRIS in Organisations

HRIS provide human resource professionals with opportunities to enhance their contribution towards the strategic direction of their organisation. First, by automating and devolving many routine human resource task to the line management, HRIS provides human resource professionals with the time needed to direct their attention towards more business critical and strategic level tasks, such as leadership development and talent management. **Other advantages of HRIS implementation are:**

- For effective and realistic evolving of HR policies, programmes and schemes, etc.
- Facilitating timely and accurate decision making in areas like promotion, transfer, nomination, setting employees provident funds, retirement, gratuity, leave travel concession and earned leave compensation.
- Supplying data and submitting returns to government and other statutory agencies with ease and comfort.
- Collecting appropriate data and converting them to information and knowledge for improved timeless and quality of decision making.
- Generating a greater number of accurate and real time human resource related reports.
- Increase competitiveness by Re-engineering human resource processes and functions.
- Improving employee satisfaction by delivering human resource services more quickly and accurately.
- Provides a comprehensive information picture as a single, integrated data base; this enables organisations to provide structural connectivity across units and activities and to increase the speed of information transactions.





Maintenance of Database, Access Control and Use for Decision Making

It is evident from the contents of **HRIS database mentioned above that all data do not need updating frequently**. Some of the static data required to be entered only once in master file, viz., **name, date of birth, date of joining, etc. Data on placement, training, etc.**,

HR Research

- Research in HRM can be undertaken to understand: trends of existing systems like **recruitment, promotion, training, appraisal system** etc. to understand the workforce in terms of **motivation, commitment, expectation, frustration** etc. to remain sensitive to internal environment, regular opinion surveys, benchmarking, climate studies etc. can be conducted.

Human Resource Management System (HRMS)

As stated above, HR work is more complex and involved today than it ever has been. There's so much that goes into the management of employee information, which is used for everything from recruiting and hiring to training, evaluations, and so much more. The importance and manpower behind these tasks make it critical for human resources professionals to have HR management software for more efficient management of HR information.

This is why many companies are now using a HRMS (Human Resource Management System) – a combination of systems and processes that connect human resource management and information technology through HR software. A HRMS can be used in candidate recruiting, payroll management, leave approval, succession planning, attendance tracking, career progression, performance reviews, and the overall maintenance of employee information within an organisation. The automation of repetitive and time consuming tasks associated with human resources management frees up some of the companies most valuable employees and allows the focus to shift to culture, retention, and other highly impactful areas.

Common Functions of HRMS Systems

- The function of the human resources department involves tracking employee histories, skills, abilities, salaries, and accomplishments. Replacing certain processes with various levels of HRMS systems can distribute information management responsibilities so that the bulk of information gathering is not delegated strictly to HR.
- By allowing employees to update personal information and perform other tasks, information is kept more accurate and HR professionals are not bogged down. Each module performs a separate function within the HRMS that helps with information gathering or tracking. For example, hiring would be carried out through the recruitment and on boarding module, employee performance is carried out through the performance evaluation and management module, and so on.



These HRMS modules can assist with:

- Managing payroll
- Recruitment and onboarding
- Gathering, storing, and accessing employee information
- Keeping attendance records and tracking absenteeism
- Performance evaluation
- Benefits administration
- Learning management
- Employee self-service
- Employee scheduling
- Analytics and informed decision making

Difference between HRMS and HRIS

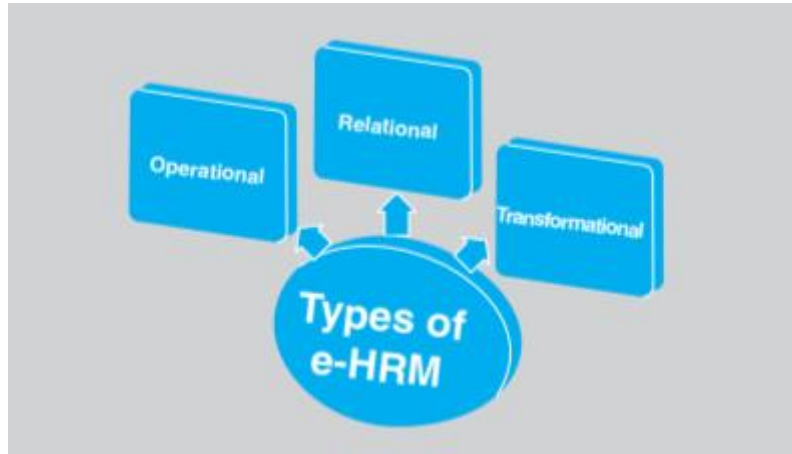
- The term HRMS is sometimes used synonymously with HRIS (Human Resource Information System), but a HRIS is really a type of HRMS. Functionally, however, there is no real difference in the type of systems offered going by one title or the other. At one time, a HRMS was a more complete automated solution to human resources management than software labeled as HRIS or even HCM, but re-branding by many companies has worked to make the different software titles generally indistinguishable. The notable differences are mentioned below.
- Today, a HRIS is designed to track numerical data and employee information, such as an employee's schedule or SSN. A HRIS also helps HR departments manage their policies, procedures, and people in general. Tasks at the heart of a HRIS include reporting, training, recruiting, compensation, benefits administration, data tracking, workflow automation, and accounting functions.
- On the other hand, a HRMS is more robust and is comprised of both IT and HR management technology. It deals with all the same information as a HRIS and a HCM in addition to non-quantitative information surrounding employees and applicants. Some unique HRMS features include on boarding, employee satisfaction, job performance, analytics, profitability, and more.

e-HRM

- In simple words, e-HRM can be defined as the planning, implementation and application of information technology for both networking and supporting the HR activities. It is the integration of all HR systems and activities using the web based technologies.
- Simply, when HR uses the Internet or related technologies to support their activities, procedures, processes, then it becomes an e-HRM. Through e-HRM, the HR manager can get all the data compiled at one place and can make the analysis and decisions on the personnel effectively.
- **As per Strohmeier. S (2007)**, "e-HRM is the planning, implementation and application of information technology for both networking and supporting at least two individual or collective actors in their shared performing of HR activities." E-HRM, in essence, is the devolution of HR operations to management

and employees. They access these operations typically through intranet or other web-technology channels.

Various Types of e-HRM On the basis of functionalities, we can divide e-HRM into three different levels or tiers:



- **Operational e-HRM:** It relates with the managerial elements of HR division. It is more about administrative functions like payroll and employee personal data.
- **Relational e-HRM:** It is also known as Social e-HRM. It is concerned with the supporting business processes, viz., Training, recruitment, selection, etc. It relates to sharing of data with the managers and other concerned employees and making virtual relationship among them so they can remain constantly associated.
- **Transformational e-HRM:** It is about strategic HR exercises such as knowledge management and strategic re-orientation. It is concerned with the HR strategies and its activities such as knowledge management, strategic orientation.

e-HRM has the potential to develop services to HR department internal and external clients, i.e., both employees and management, develop efficiency and cost effectiveness within the HR department and permit HR to become a strategic partner in achieving organisational goals.

e-HRM Activities Through e-HRM, the main activities that could be performed online are Recruitment, Selection, Training, Performance Management, Compensation.



HR Research

- One of the primary orientations of the future organisations is to develop a problem-solving perspective. As such a research orientation is a necessity in all functions – all the more in HRM.
- For instance some problems related to business parameters would get such attention through the usual activities of market share analysis, surveys, etc., as they are reflected obviously in the tangible dimensions of the business performance. But for HRM, a conscious effort to identify the issues is required.

Types of Applied Research

Following are the types of applied research:

- **Statistical approach:** The researchers generate statistical standards from the existing records to evaluate the activities and programs. With this approach the team can discover the smallest of errors easily.
- **Comparative approach:** The research team of the organisation directly compares its organisation with another organisation to figure out the areas of poor performance. This helps in identifying the areas that need improvement in the organisation.
- **Outside authority approach:** Here the research team counts on the expertise of the consultant or published researched records as the standards of activity or performance evaluation. The outside help may result in correcting the cause of problem.
- **Compliance approach:** With the help of samples from the human resource information system, the researchers look for the deviation from the laws and company policies. The compliance helps us to know whether the organisation is complying with the company policies and legal regulations or not.

Knowledge Management (KM)

- KM refers to process of (a) creating, (b) storing (c) distributing and (d) pooling the knowledge (as per Wilcox-1997). The people in a system are the



sources of creating knowledge while storing and distributing the information is the responsibility of the information technology machinery of the organization.

- Hence management of 'knowledge worker' is very critical issue and cannot be done by traditional, bureaucratic process. Knowledge management has gained prominence in the light of the uncertainty that the employee who has created the knowledge, will continue with the organization or not, particularly where the attritions levels are higher.

Technology in training

The technology offers an opportunity in designing training interventions to suit the individual learners. **Important features are:**

- Mass learning user friendly material can be produced at low cost.
- Trainers and trainees can be physically separated.
- Trainee has the option to choose time and date and place and convenience form for learning.
- Technology based training methods help in distance learning.

Advantages of E-Learning:

- Enables learner to study at his convenient time and place and can have privacy
- Enables him to study at his own pace
- Can offer high level inter-action with immediate feedback and provide opportunity to check his understanding
- Can be simulated to real life situation
- Can be cost effective depending upon its use

Disadvantages of E-Learning

- Relatively inflexible depending on a pre-produced programme
- Requires greater self-discipline and commitment by the learner
- May induce a sense of isolation
- Does not permit personal reinforcement, therefore, the motivational effects are forgone
- Can prove costly as expensive H/W and S/W are required



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