CAIIB
Module-B

Human Resources Management

HRM Module B -Building an HR Strategy

Index

CAIIB HRM Module B Unit 1- HR As A Strategic Player

HR As A Strategic Player & Strategic HRM

- Most discussions on strategy today deal with the Balanced Scorecard model as the benchmark as this approach takes into account all major aspects of an organisation including the financial, customer, internal processes as well as learning and development.
- The **Balanced Scorecard** is a strategic planning and management system which takes into account non-financial aspects of corporate performance, such as customer satisfaction and business processes, to create a complete picture of how the company is likely to perform in the future.
- The balanced scorecard is used to reinforce good behaviours in an organisation by isolating four separate areas that need to be analyzed. These four areas, also called legs, involve **learning and growth, business processes, customers, and finance**. The balanced scorecard is used to attain objectives, measurements, initiatives and goals that result from these four primary functions of a business.

The Four Legs of the Balanced Scorecard

Information is collected and analyzed from four aspects of a business.

- ➢ **First, 'learning and growth'** are analyzed through the investigation of training and knowledge resources. This first leg handles how well information is captured and how effectively employees utilize the information to convert it to a competitive advantage over the industry.
- ➢ **Second, 'business processes'** are evaluated by investigating how well products are manufactured. Operational management is analyzed to track any gaps, delays, bottlenecks, shortages or waste.
- ➢ **Third, 'customer perspectives'** are collected to gauge customer satisfaction with quality, price and availability of products or services. Customers provide feedback regarding if their needs are being met with current products.
- ➢ **Fourth, 'financial data'** such as sales, expenditures and income are used to understand financial performance. These financial metrics may include receivables, financial ratios, budget variances or income targets.

These four legs encompass the vision and strategy of an organisation and require active management to analyze the data collected. Therefore, the balanced scorecard is often referred to as a management tool, not a measurement tool.

Developing Strategy

Present Time professional companies the world over, rely on good human resources to take them where they intend to go and HR must therefore align with the business and transform itself into a business partner than a business supporter. HR needs to build a strong team of professionals with their own areas of strength.

For HR to command the respect of all others in the corporate, *the following should be the constitution of the HR department*

- **The Resourcing Expert:** Who is able to identify each and every potential recruit as a considerable value add to the organisation. Recruitment then must no longer remain a routine activity but go beyond, to ensure that candidates with the right profile are available who have a combination of education, good family upbringing and good social skills with the potential to grow with the organisation.
- **The Developer:** Every HR professional must believe in the Pygmalion Effect., an HR professional as a developer must play the role of a coach, a catalyst.
- **The Behavioural Specialist:** The HR professional requires to look around and understands the undercurrents in the organisation and guard against undesirable practices getting an upper hand. They should be a good mind reader, a specialist in body language and must have a good network to catch up with the grapevine. He anticipates a problem much before even the management gets to know about them and would have solutions to nip such issues in the bud.
- **The Value Creator:** Individuals have to create value. The market is full of stories of headhunters who source out exceptional talent be it in marketing, finance or even in manufacturing. What they are looking at is value which has been created, by the individual over a period of time.

HR Transformation

- HR transformation changes both behaviour and outputs. Changing any single HR practice (staffing, training, appraisal, teamwork, upward communication) does not create a transformation. Unless the entire array of HR practices collectively adds value for key stakeholders, transformation has not occurred.
- Transformation requires integrating the various HR practices and focusing them jointly on value-added agendas in intangibles such as customer connection, organisation capabilities, and individual abilities.
- A fundamental transformation of HR starts with a definition of HR value – who the receivers are and a clear statement of what they will receive from HR services.
- The transformation endeavours and the need for HR to integrate itself into the corporate business plans and goals has heralded the concept of Strategic Human Resource management (SHRM).

Strategic HR

Strategic HRM' (SHRM) is a process by which an organisation utilizes the knowledge, skills and abilities of its employees in formulation and execution of its business strategy. '**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.

The essential features of SHRM can be summarized as under:

- There is an explicit linkage between HR policy and practices and the overall organisational environment.
- It focuses on an organisation's human resources as the primary source of the organisation's competitive advantage.
- The activities of SHRM emphasize the HR programs, policies, and practices as the means through which the organisation's people can be deployed to gain a competitive advantage.
- The pattern and plan of SHRM envisage a congruence between HR strategy and the organisation's business strategy (vertical fit) and between all HR activities (horizontal fit).
- The people, practices, and planned patterns are all purposeful, directed towards the achievement of the organisation's goals.
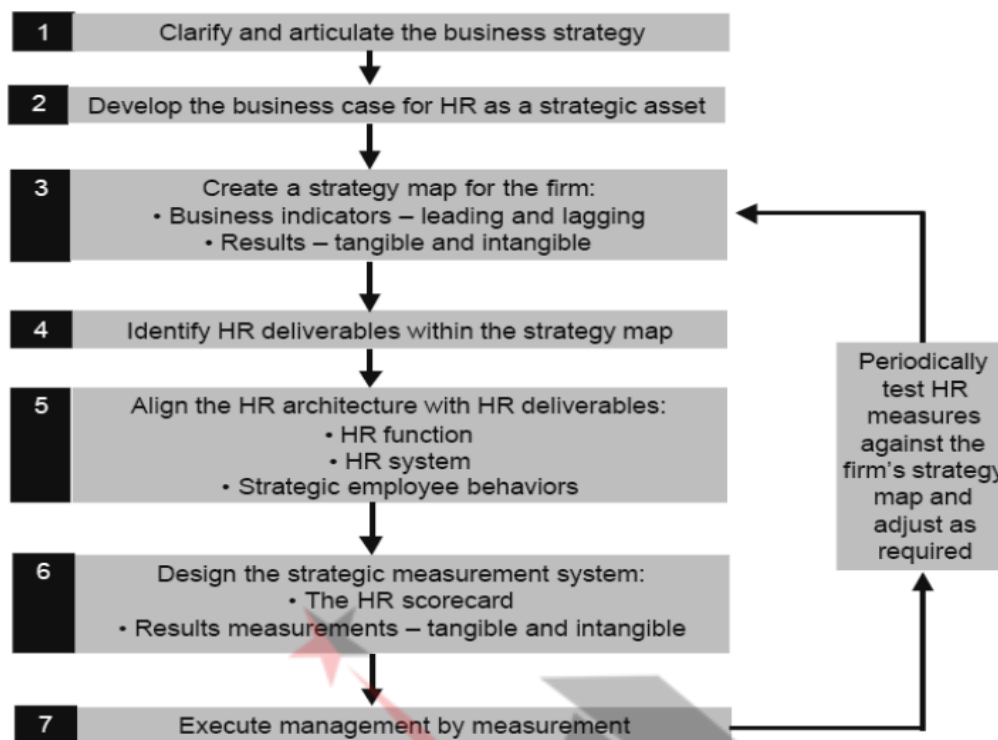
HR New Roles

- **Core People Role**
- **Organisational Value-Add Role**
- **Business Transformation Role**

Broad Functions under each Role:

Role	Broad functions
1. Core People Role	Selection, orientation, career development, motivation, compensation, welfare services, retention & attrition.
2. Organisational Value-Added Role	HR technology services, creating a learning work-environment, organisational.development & consulting.
3. Business Transformation Role	Creating flexible work culture, aligning HR initiatives to business strategies, implement organisational change & transition with ease, assess return on investment on human capital.

HR Strategy Formulation And Implementation

The Seven-Step Model for Using HR as a Strategic Business Asset

1 — Clarify and articulate the business strategy

2 — Develop the business case for HR as a strategic asset

3 — Create a strategy map for the firm:
• Business indicators – leading and lagging
• Results – tangible and intangible

4 — Identify HR deliverables within the strategy map

5 — Align the HR architecture with HR deliverables:
• HR function
• HR system
• Strategic employee behaviors

6 — Design the strategic measurement system:
• The HR scorecard
• Results measurements – tangible and intangible

7 — Execute management by measurement

Periodically test HR measures against the firm's strategy map and adjust as required

Evolution of HR Strategy

The HR role within a firm has evolved over the past century quite dramatically:

The traditional perspective was to view HR or the earlier personnel department as being purely administrative –administering benefits and payroll.

In the 1990s, HR started to be seen as a strategic asset from several perspectives:

- **Personnel – Hiring and developing exceptional employees.**

- **Compensation – Rewards for exceptional performers.**

- **Alignment – Executing whatever management wants.**

- **High-performance – Using HR to achieve greatness.**

Strategy Implementation

HR managers must understand the business intimately and in detail. That will then give them the insight to see precisely where HR deliverables are supporting the firm level performance drivers in the strategy map. This will allow the return on investment (ROI) in HR to be calculated using these three steps.

- **Step 1 – Identify all potential costs:** Costs comes in various combinations such as Fixed – those that don't vary with production levels, Variable – those that change directly with the level of output and Sunk – the total resources invested in a project.

- **Step 2 –Identify the likely benefits:** Every expenditure must find a corresponding revenue generation; and investment on human assets, should also correspond to contribution by high-performing employees as opposed to the output of low-performing employees. The economic impact of an average performance must get compensated by the superior performance of a higher cost employee.

- **Step 3 – Calculate the ROI of the program:** The ROI can be expressed as a percentage or counted in cash terms; or in time slots, indicating the amount of time required before the program recovers its costs. This could be stated as breakeven, more sophisticated net present value calculations to reflect factors like the opportunity cost of capital, uncertainty and risks or even incorporate benchmarks from peer group companies for improvement.

The HR Strategic Measurement system

- A well designed HR scorecard will accurately measure the impact of all HR policies on organisational performance and capture the full impact of HR. A well thought-out HR scorecard has four basic dimensions: HR Deliverables, which help identify the causal relationships through which HR generates value in the firm, with an emphasis on HR performance drivers and HR enablers.

- Once the HR deliverables have been clearly defined, the High-Performance Work System (consisting of HR policies, processes and practices) implements the business strategy and generates the deliverables specified.

- It is also important to measure how the HR system is aligned with the firm's key performance drivers. When properly aligned, the HR system should be making a definable and significant contribution to the value creation process. These are the metrics, benchmarks and standards by which the HR system's performance will be gauged and evaluated.

Need For A Distinctive HR Strategy

Corporate Strategy and HR Strategy

- For companies with strong HR strategies like the software majors, the new challenges for HR are likely to be on a fresh dimension of corporate strategy – mergers and acquisitions. Research on the success and failure of M&A has consistently found post-merger integration especially on the people front to be a significant factor in the success of a merger or acquisition.

- Considering the importance of HR portfolio for leveraging the same to the overall Corporate objectives, many of the global institutions of high repute like, World HRD Congress, Institute of Directors, Government of India, GreenTech Foundation, etc., have since instituted 'HR Excellence Awards' whereby the organisations which have excelled in overall HR and/or in various functions of HR are selected through a committee comprises of HR/Corporate professional of high eminence on yearly basis and confer such awards, in appreciation of the valued contribution of HR to their respective organisational development.

Individual Development Plan

An IDP starts with an annual conversation between a manager and a staff member that is transformed into an action plan of realistic steps the employee can take to help him or her build a desired skill, better use of existing talents, or prepare for a career goal.

IDP is a process you direct, in partnership with your manager, to enhance your professional growth by:

- ➢ Setting goals for professional development.
- ➢ Identifying ways to learn or improve in important competencies you will need now or in the future to achieve these goals.
- ➢ Identifying your strengths, talents and passions and planning ways to use them on the job.

Creating Business Value Through HR Strategy

S.No	HR Strategy	Various steps involved in the Strategy
1.	Define human capital value	1. Understand the business strategy 2. Define HR strategy
2.	Align HR products and services	3. Segment HR customers 4. Prioritize HR investments 5. Design HR services
3.	Deliver value	6. Ensure right HR service delivery model 7. Establish right HR capabilities 8. Improve HR operational excellence continuously 9. Build HR brand 10. Measure impact of HR products and services

HR Strategy Framework

Define Human Capital Value

The first step towards an effective HR strategy is to define value and to understand how business value is created. This requires a deep insight into the overall business environment as well as a clear understanding of the organisation's overall business strategy.

- **Step 1: Understand the business strategy:** Understand market forces, trends and the business strategy and identify their impact on the HR strategy and priorities required to execute the business strategy.
- **Step 2: Define HR strategy**: Provide a roadmap for creating a unique competitive advantage by outlining how the organisation will leverage the organisation's human capital to address business challenges and achieve business objectives.

Align HR products and services

Once a strategic direction has been defined, the organisation must review its HR policies, programs and practices to ensure they are aligned with the defined Organisation's strategy.

Step 3: Segment HR customers: Identify the critical workforce segments and tailor specific programs and services.

➤ Define and determine which workforce segments are most critical to achieve the desired results.

➤ Assess the needs of each workforce segment and draw up programs and services tailored to their needs.

Step 4: Prioritize HR investments: Identify all HR projects and understand their expected costs, benefits, and primary focus to properly allocate scarce resources.

➤ Identify and develop prioritization criteria that are aligned with the organisation's strategy and priorities.

➤ Analyse the cost, benefit and risk of delivering each offering across the workforce life cycle.

➤ Allocate funding for parts of the people services Portfolio.

Step 5: Design HR services: Design and implement HR solutions that are critical to ensure the execution of the HR strategy for every phase of the workforce life cycle.

➤ Perform an HR process analysis and identify all HR processes that should be streamlined or reengineered.

➤ Analyse the current people services portfolio, (re)design and implement HR services and solutions.

Deliver value:

Converting HR strategies and initiatives into tangible business value requires the appropriate delivery approach, a solid foundation of HR capabilities and infrastructure and the definition of business-driven performance measures to track whether the expected results are being delivered.

Step 6: Ensure right HR service delivery model: Think through people-related business challenges to design the right HR service delivery model.

➤ Analyse the current HR service delivery model and assess its ability to effectively meet the organisation's needs and objectives.

➤ Define specific roles, governance mechanisms, and delivery options.

➤ Identify key delivery enablers such as system processes and infrastructure.

Step 7: Establish right HR capabilities: Identify and build the advanced skills, competencies and capabilities required for HR to fulfill its strategic role.

➤ Identify the skills and competencies required to deliver the HR Strategy.

➤ Conduct a skills analysis, develop training and recruiting plans to fill any critical gaps.

Step 8: Improve HR operational excellence continuously: Design supporting tools, processes, and infrastructure to help the HR staff succeed.

➤ Assess the efficiency of HR-related services and activities through qualitative and quantitative analyses (HR Cost and Activity Analyses).

➤ Assess the cost structure of the HR function and control significant long-term and short-term HR-related costs.

Step 9: Build HR brand: Understand and communicate the value of HR to business leaders and key stakeholders.

➢ Design, develop and implement an integrated communication process in order to market the HR function within the organisation.
➢ Obtain feedback on how HR is and should be performing.

Step 10: Measure impact of HR products and services: Identify key performance measures to track the return on investment of HR products and services.

➢ Link the corporate strategy, strategic HR priorities and key performance measure for HR and for the workforce.
➢ Identify the right key performance measures and ensure the right balance between value- and cost-related measures.
➢ Design and implement an HR Scorecard to track HR impact, value and costs.

Factor Analysis in HRM

• Raymond Cattel used **'Factor Analysis'** to formulate his famous 16-Factor Model of Personality to explain intelligence. He was also a strong believer in the use of statistical tools and psychometrics to provide the base of theories in psychology rather than just basing them on verbal arguments and discussion.
• Factor analysis is a useful tool for investigating variable relationships for complex concepts such as socio-economic status, dietary patterns, or psychological scales.

Types of Factor Analysis

➢ **Exploratory factor analysis:** Exploratory factor analysis is used to measure the underlying factors that affect the variables in a data structure without setting any predefined structure to the outcome.
➢ **Confirmatory factor analysis:** Confirmatory factor analysis on the other hand is used as tool in research and analysis to reconfirm the effects and correlation of an existing set of pre-determined factors and variables that affect these factors.
➢ **Structural equation modeling:** Structural equation modeling hypothesizes a relationship between a set of variables and factors and tests these casual relationships on the linear equation model. Structural equation modeling can be used for exploratory and confirmatory modeling alike, and hence it can be used for confirming results as well as testing hypotheses.

Benefits of 'Factor Analysis'

The main uses of factor analysis can be summarized as given below. It helps us in:

• **Identification of underlying factors** – the aspects common to many variables can be identified and the variables can be clustered into homogeneous sets. Thus, new sets of variables can be created. This allows to gain insight to categories
• **Screening of variables** – it helps to identify groupings so that the organisation can select one variable to represent many.

Connecting 'Strategy' To Organisations

Acquisition of Employees

- The first step prelude to talent acquisition is plan as to how many talents are required at what time and at what place. This process is called '**HR Planning'.**
- The process entails determining how many employees the organisation needs to perform at its optimum and where the employees should be working in the organisation given the external and internal challenges and opportunities.
- HR planning should assess the skills and competencies currently available within the organisation and what other intellectual capital will be needed in the future to meet the needs of the stakeholders adequately.

Training And Development

- The term '**Training'** is concerned with imparting specific skills for particular purposes. It is act of increasing the knowledge and skills of an employee for doing a particular job.
- **'Development'** refers broadly to the nature and direction of change induced in employees through the process of training and education. 'Management Development' is all those activities and programmes when recognized and controlled, have substantial influence in changing the capacity of the individual to perform his assignment better and in so doing are likely to increase his potential for future management assignments.
- **'Education'** is used in a broader sense involving the development of an individual socially, intellectually and physically.

Performance Mangement

- "**Performance management systems** make clear to employees what is expected of them and assure line managers and strategic planners that employee behaviours will be in line with the company's goals"
- Performance management grouped into three categories of defining performance, measuring performance, and the feedback aspect of performance.
- Performance management systems are geared to ensure that each employee within the organisation, based on previously conducted job analysis, is performing the tasks intended at the expected level to support the strategic business objectives of the organisation.
- The thinking of HR practitioners and other business leaders that an annual performance appraisal is performance management must become obsolete. Effective performance management entails a process where each employee is fully aware.

Reward System

- **A number of studies have shown that effective reward systems** can significantly increase the motivation of individuals to increase their performance.
- The fundamental intent of rewards in organisations is to provide incentives to achieve individual and organisational behaviours that would enable the organisation to create competitive advantages and maximize the value of the shareholder's investment.

- The needs and drives of the individuals differ from each other. For example, some employees get motivated through financial rewards, whereas, some employees get motivated through non-financial rewards like career advancement, recognition, appreciation, etc.,
- Hence, it is very important for the organisations to properly assess the needs of the employees and to devise and extend financial and non-financial rewards solely on the basis of needs but not to be approached uniformly.

Strategy Execution

A 5-Point Agenda for HR Professionals

There are five ways in which HR professionals can enhance their ability to contribute to this integration process.

- HR professionals must spend more time and effort understanding the business environment and the key strategic issues faced by the company.
- HR professionals must get more involved in the nitty-gritties of the business, i.e. in operational details and issues.
- HR professionals must move towards taking an integrated look at the people in the organisation, bridging the gap between HR and IR (Industrial Relations)
- HR professionals must see themselves as knowledge workers and facilitators of knowledge flows within the organization.
- HR professionals need to change from a support paradigm to a value creation paradigm.

Aligning HR System With Decision Framework

- **HR, being a support function**, has to strategically contribute to the business of the organisation. This is the essence of making HRM as strategic HRM.
- In order to get value out of the HR, it is all the more important to properly align the HR system with decision making framework, it is highly recognized fact that right individuals with right skills, knowledge and attitudes are more prone to take right decisions which leads to organisational development.
- Organisations can be much more successful if HR and other leaders are able to analyse historical data, benchmarking other departments and organisations, and even using simulations in planning and implementing future interventions. The measurements for organisation theory and behaviour would therefore be the ability of HR and other leaders reasonably to predict and plan accordingly for the future based on historical data and current environments.

CAIIB HRM Module B Unit 2- CEO and His/ Her Team

CEO – Roles & Responsibilities

The "**chief executive officer**" is the singular organisational position that is primarily responsible to carry out the strategic plans and policies established by the Board of Directors.

The duties and responsibilities of the CEO include the following:

- To lead, in conjunction with the Board, the development of the company's strategy.
- To lead and oversee the implementation of the company's long and short term plans in accordance with its strategy.
- To ensure the company is appropriately organized and staffed and to have the authority to hire and terminate staff as necessary to enable it to achieve the approved strategy.
- To ensure that expenditures of the company are within the authorized annual budget of the company.
- To assess the principal risks of the company and to ensure that these risks are being monitored periodically and managed timely and effectively.
- To ensure effective internal controls and management information systems are in place.
- To ensure that the company has appropriate system to enable it to conduct its activities both lawfully and ethically
- To ensure that the company maintains high standards of corporate citizenship and social responsibility wherever it does business
- To act as a liaison between management and the Board
- To communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public
- To keep abreast of all material undertakings and activities of the company and all material external factors affecting the company
- To ensure that the Directors are properly informed and that sufficient information is provided to the Board to enable the Directors to form appropriate judgments
- To ensure the integrity of all public disclosure by the company
- To develop Board agendas in consultation with the Chairman
- To request that special meetings of the Board be called when appropriate;
- In consultation with the Chairman, to determine the date, time and location of the annual meeting of shareholders and to develop the agenda for the meeting.
- To sit on committees of the Board where appropriate as determined by the Board
- To abide by specific internally established control systems and authorities.

CEO And Talent Management

Talent management is the process by which an organisation identifies, manages and develops its people now and for the future. It is concerned with:

- Developing a strategy to determine what the organisation needs to meet the current and future demands of the business plan.
- Establishing processes to measure competence – required and available.
- Creating a range of developmental tools and processes to provide tailored approaches depending on the individual needs of employees.
- Identifying ways to obtain and retain those who are critical to success.
- Establishing suitable approaches to deal with those who no longer fit organisation requirements.
- Measuring the impact these strategies have so that policy can be continually updated and refined to deliver high performance, now and in years to come.

Talent Management vs HR

- Where hiring, training, and retention before were centralized in the HR department, with talent management many of these duties are federated to the front-line managers actually leading the employees.
- HR is more administrative-focused, dealing with pay, vacation days, benefits, and complaints, while talent management is almost singularly-focused on helping and improving the top talent in the organisation.
- Talent management is strategic, often manifesting as a company-wide long-term plan closely associated with overall business goals, while HR is more tactical, dealing with the day-to-day management of people.

Main Points

- Chief executive officers (CEOs) are increasingly responsible for, and involved in, talent management. The heads of human resources departments play an important, supporting role in executing talent strategy.
- CEOs spend a large amount of their time-often more than 20% on talent management. CEOs engage in selected supporting activities where they believe they add value.
- Talent management has become more important because of a growing recognition that it helps to drive corporate performance, even though the exact impact is hard to quantify.
- Good talent management consists of comprehensive development programmes. These include the identification of leadership potential, performance evaluations, targeted development activities and job experience.
- Many CEOs mentor executives in their organisations – an additional and important part of the programme. They regard the development of the next generation of leaders as one of the best ways of leaving a strong legacy.

Key Features of CEO-led Talent Management

- Talent management consists of many elements including performance evaluations to identify potential; psychological testing and assessment centres to determine capability gaps; training and development programmes, relocations, project work and job experience to accelerate development.
- CEOs hold follow-up meetings to discuss results and determine what programmes and job experience their subordinates need to improve on their weaknesses. HR advises on what programming is most appropriate from a range of options, including off-site retreats, classroom and Internet learning, executive coaching and formal mentoring. Most of the executives mentor their direct reports and others on a more informal basis.
- Two factors largely account for increased CEO involvement in the past few years: the shift in focus towards intangible assets such as talent, and increased board scrutiny in relation to both ethics and performance.

Executives And Line Managers

- An executive team is formed to achieve specific strategic business objectives within a defined time frame. When the selection process is done correctly, team members are chosen based on their individual abilities to contribute to achieving those objectives.
- **Line management** is a hierarchical chain of command from executive to front-line level, a rather complex management structure, in which top management has total and direct authority and employees report to only one supervisor. Line management structures are usually organised along functional lines, although They increasingly undertake a variety of cross-functional duties such as employee development or strategic direction. The lowest managerial level in an organisation following a line management structure is supervisory management.

Succession Planning

Succession planning is a process for identifying and developing new leaders who can replace old leaders when they leave, retire or die. In business, it entails developing internal people with the potential to fill key business leadership positions in the company. It involves an integrated, systematic approach for identifying, developing, and retaining capable and skilled employees in line with current and projected business objectives.

Succession Planning Process is an end to end exercise and encompasses five steps:

- **STEP 1. Identify Key Areas and Positions:** Key areas and positions are those that are critical to the organisation's operational activities and strategic objectives if left vacant, would make it very difficult to achieve current and future business goals.
- **STEP 2. Identify Capabilities for Key Areas and Positions:** To Identify the relevant knowledge, skills, abilities, and competencies needed to achieve business goals.

- **STEP 3. Identify Interested Employees and Assess Them Against Capabilities:** Determine who is interested and has the potential to fill key areas and positions and discuss career plans and interests with employees.
- **STEP 4. Develop and Implement Succession and Knowledge Transfer Plans** Incorporate strategies for learning, training, development, and the transfer of corporate knowledge into your succession planning and management.
- **STEP 5. Evaluate Effectiveness:** Evaluate and monitor your succession planning and management efforts to ensure the following:
  - ➢ Succession plans for all key areas and positions are developed
  - ➢ Key positions are filled quickly
  - ➢ New employees in key positions perform effectively.
  - ➢ Members of designated groups are adequately represented in feeder groups for key areas and positions.

Managerial Succession Planning

Methods of managerial succession plans may vary. A typical succession planning involves the following activities :-

- Analysis of demand for managers and professionals.
- Audit of existing executives, future likely supply from internal sources.
- Individual career path planning
- Career counseling
- Accelerated promotions
- Periodical evaluation of performance of the incumbent
- Performance related training and development
- Strategic recruitment for filling in gaps at top positions.

Job Family

- Job family, is grouping of job with similar characteristics. It is a grouping of roles that have a similar nature of work and utilize a similar skill set, but that require differing levels and specializations of skill, effort or responsibility (e.g. Accountant vs. Payroll Specialist, both in the Finance and Business family).
- They typically focuses on common competencies, skills and knowledge and may relate to having a similar purpose or process. Job families are means of describing jobs of different levels, which are similar in character. They can provide a simple and efficient means for matching individual roles to levels or grades and help to articulate career and development routes.
- In Banks, this concept is being used for the purpose of career development and succession planning strategies.
- Job families can produce a common language that allows discussion on career management, critically in a way that distinguishes one occupation / function from another.
- Job families can provide the link between the reward strategy and the wider HR strategy. There can be integration between recruitment, selection and development. Job families offer a common approach that can be used to describe supply and demand of individuals potent with such key competencies.

Chief Characteristics of 'Job Family' Framework

The key characteristics of job families include:

- **Number of Job Families:** Organisations generally employ a maximum of 15-20 job families, depending upon the nature of business and purpose of job families and the variety of roles they assign.
- **Career progression:** Job families allow employees to more easily identify related positions across the organisation, which enhances an employee's ability to move across job functions within a job family.
- **Job Family clearly differentiates from other functions:** This concept ensures that each job differentiates from other jobs/roles which are outside the Job Families.

- **Characteristic / trait similarity in each role of 'Job Family':** All the roles in a particular 'Job Family' will have identical characteristics/traits viz., same level of knowledge, skills and competencies for each level in the career hierarchy and related behaviours and attitudes.

- **Improves talent and creativity:** Since the employees posted in such job families are continue to work/function in such jobs/sub-jobs, job family framework enhances the creativity and builds healthy talent pipeline.

'Job Family' Framework in Banking Industry

The following is the illustrative list of the business/ administrative areas in which the concept of 'Job Family' can be introduced in Banks:

- Risk Management
- Wealth Management
- Information Technology & Data Analytics
- Agri Finance/Credit
- Developmental HRM
- Treasury & Forex Management
- Accounts Management
- Marketing & Sales (including CRM)

Human Resource Audit

An HR audit is a tool for evaluating the personnel activities of an organisation. The HR Audit is an overall quality control check on HR activities in a division or company and an evaluation of how these activities support the organisation's strategy.

HR Audit is a comprehensive tool to analyse and improve HR's effectiveness as a function. The audit is made up of four main steps:

- Define desired HR practices for the organisation.
- Assess current practices against the criterion that has been established.
- Analyze the results
- Establish improvement goals and take action.

Objectives of HR Audit

The HR audit can serve any of the following purposes:

- To clarify desired practices of HR work and roles within the organisation (HR Department, Line Managers).
- To evaluate current effectiveness and establish a baseline for future improvement.
- To standardize practices across multiple sites within a division or company.
- To assess current knowledge and skills required of HR practitioners.
- To improve performance levels for key customers within the organisation.

Benefits of HR Audit

There are several benefits that may accrue from an HR Audit. Some of them are:

- Identification of the contributions of the HR department to the organization
- Improvement of the professional image of the HR department,
- Encouragement of greater responsibility and professionalism among members of HR function
- Clarification of the HR department's duties and responsibilities,
- Bringing uniformity in HR policies and practices
- Installing HR best practices in the organization
- Ensuing timely compliance with legal requirements
- Reduction of HR costs through more effective personnel procedures
- Creation increased acceptance of the necessary changes in HR department
- A thorough review of the department's information system.

The Audit Process

Defining Audit Statements

- A good starting point is to take some time and reflect on the legal requirements and programs that the department must administer. Simply listing them is a good first step. Next, consider the areas of responsibility and traditional HR practices covered by the function: They may include **HR Planning, Staffing, Performance Management, Employee Relations, Compensation and Benefits, Training and Development, Safety and Wellness, Employee Surveys, and Communication.**
- With this list in hand, a statement can be written about each major practice that needs to be defined.

The following examples illustrate these traits:

- ➢ The staffing process is documented so that the responsibility of each person in the process is clear and understood.
- ➢ Performance appraisals are completed for each employee in the organisation.
- ➢ There is a train-the-trainer program for each major training program within the company.

> ➢ New employees complete a new hire orientation program of key company policies and procedures within the first 30 days of work.
> ➢ There is an issue resolution process that is well understood and used by employees.

Assessing Current Practices

- With the list of statements completed, the assessment of current practices demands looking for evidence that supports or refutes each statement made. Evidence may take the form of **policies and procedures, output from employee surveys, interviews with key customers, data collection** from a Human Resource Information System, reports issued to regulatory departments, statistics, etc.

Analyse the Results

- It is important to recognize strengths and opportunities for improvement. Reviewing the data in a variety of perspectives is helpful to formulate a picture of overall HR **performance against the audit**. It can reflect the positive effect of actions taken in previous years as well as provide information for future actions.

Establish Improvement Goals and Take Action

- The audit information in hand, can be used to advantage when setting next year's goals. There are two aspects of setting goals: **maintenance of current good practices and development of improved practices.**
- Knowing the capacity and capability of the HR department and system is critical in developing a realistic plan. With little discretionary time available, it is prudent to review the analysis of step three and decide which one or two areas will provide the greatest overall improvement for the HR function, its customers and the organisation. These need to be the areas that goals are established for the next year.
- By conducting HR audit, the department finds problem areas before they become serious. Done correctly, the audit process can build a strong rapport **between HR and other business verticals.** Systematic audit of HR function instills discipline among HR staff and establishes credibility of HR function and clearly demonstrate how it contributed to the business delivery and attainment of overall organisational goals.

CAIIB HRM Module B Unit 3- Communication

Organisational Communication

- Organisational communication as an academic discipline embraces the study of **symbols, messages, media, interactions, relationships, networks, persuasive campaigns, and broader** discourses within an organization
- Organisational communication could also be used as a general term to cover public relations, public affairs, investor relations, labour market communication,

corporate advertising, environmental communication and internal communication. Organisational communication traditionally comprises a number of subject fields such as media and communication science, organisational psychology, sociology of organisations, linguistics and business administration.

- In the early 1990s Peter Senge developed new theories on Organisational Communication. These theories are "**learning organisation" and "systems thinking".**

Communication Approaches in an Organisation

- Organisational communication can also be classified according to its media, i.e., '**Formal and Informal Communications'.**
- Formal Communications are those which are a part of the recognized communication system of the organisation. Staff meetings, Union-Management meetings, Branch Managers' conferences, Performance review meetings, Customer needs are illustrative forums that facilitate formal communication.
- Whereas, informal communications are those which take place inside and outside the organisations in an unstructured manner. These informal communications grow out of the social interactions among people who work together. Grapevine is a kind of informal communication in the organisations.
- **'Upward communication & Downward communication'** is yet another classification.
- Upward communication, which essentially relates to organisations, originates from a subordinate to his superior in the form of complaint, grievance, suggestion or feedback. It moves upwards, i.e., from bottom to top levels in the hierarchy. Communication from branches to Regional offices, Regional offices to Zonal Offices and Zonal offices to Central office is also an illustration of upward communication.
- Downward communication, which also called as 'Top-down approach' to communication, moves from top to bottom i.e., from superior to subordinate in organisations. Such communication takes in the form of instructions, guidelines, orders, corporate goals, etc.

Communication Patterns

The communication patterns that have been given by Harold J. Leavitt for four-and-five member group are circle, chain, wheel, Y, and network.

- **Circle Pattern-** in circle pattern there is a leader and all group member are in a hierarchy. The leader can communicate with the group member who presents net to him/her. The leader can not talk to the members who are lowest in the hierarchy.
- **Chain pattern –** chain pattern appears like a circle pattern it also follows few chains of command. In this pattern last person receives the message from the leader. It is a one-way flow communication.
- **Y Pattern –** the group is separated into three and the group members can communicate with the leader only. This pattern is little complicated as three

different groups are situated into one single group. According to Levitt these three groups are controlled by a single leader. There are three members in each subgroup.

- **Wheel pattern-** in this pattern team leader stands in the middle and all other members stand at the same level of the structure. This pattern is one of the best patterns while comparing to the other three. Here all member can communicate with the leader directly

Direction of Communication

Formal communication as they occur in traditional military organisations, include messages which have a "**one-way"** directional characteristic. In the military organisation, the formal communication proceeds from superior to subordinate, and its content is presumably clear because it originates at a higher level of expertise and experience.

On the basis of a number of experiments, Leavitt formed these conclusions:

- One-way communication is faster than two-way communication.
- Two-way communication is more accurate than one-way communication.
- Receivers are more sure of themselves and make more correct judgments of how right or wrong they are in the two-way system.
- The sender feels psychologically under attack in the two-way system, because his receivers pick up his mistakes and oversights and point them out to him.
- The two-way method is relatively noisier and looks more disorderly. The one-way method, on the other hand, appears neat and efficient to an outside observer.

Thus, if speed is necessary and if a manager does not want his mistakes recognised, and if he wants to protect his power, then one-way communication seems preferable.

In contrast, if the manager wants to get his message across, or if he is concerned about his receivers' feeling that they are participating and are making a contribution, the two-way system is better. In either event, communication depends on how it is perceived by the recipient.

In a two-way communication system, there is a chance to correct mis-perception if any. The mood of the recipient while receiving the communication may determine whether he will accept, understand, improve and also act as per the instructions.

Theories of Communication

Shannon and Weaver Model of Communication

This model is specially designed to develop the effective communication between sender and receiver. Also, they find factors which affect the communication process called "**Noise**". At first, the model was developed to improve the Technical communication. Later, it is widely applied in the field of Communication. The model deals with various concepts like **Information source, transmitter, noise, channel, message, receiver, channel, information destination, encode and decode.**
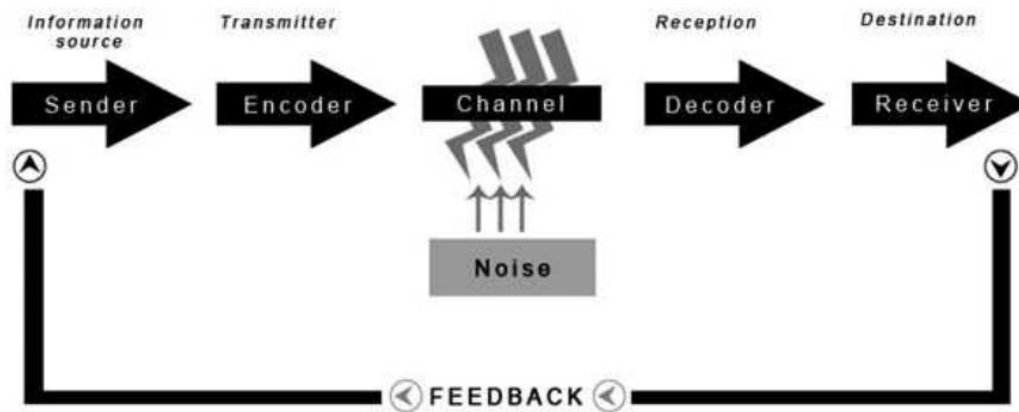
Fayol's thoughts on organisational Communication

Henri Fayol explains his theory by using 4 sets of principles. These sets of principles explain the following:

- How an organization should be structured.
- How mangers should handle their power.
- How employees are rewarded.
- Employee's attitudes.

Chester Barnard's thoughts on organisational communication

Chester Barnard identified communication as an important management activity, and examined its elements and issues.

- The channels of communication should be definitely known.
- There should be a definite formal channel of communication to every member of an organization.
- The line of communication should be as direct and short as possible.
- The complete formal line of communication should normally be used.
- The persons serving as communication centers should be competent.
- The line of communication should not be interrupted while the organization is functioning.
- Every communication should be authenticated.

Types of Communication

Interpersonal Communication

- Another facet of communication in the organisation is the process of face-to-face, interpersonal communication, between individuals. Such communication may take several forms.
- Messages may be verbal (that is, expressed in words), or they may not involve words at all but consist of gestures, facial expressions, and certain postures (**"body language")**.

> Nonverbal messages may even stem from silence. Nonverbal content always accompanies the verbal content of messages. This is reasonably clear in the case of face-to-face communication.

Verbal and Non-verbal Communication

> Most communication as we understand is verbal through the use of words, written, by way of mails and writing. But a more important form of communication is the non-formal one where body language plays a vital role.

> However, we can also communicate without words. This kind of communication tells us something about the relationship between people. Often this is more important than getting the content of the message across. The communication about this non spoken communication, which tells us something about the relationship between people, is **called Meta Communication**.

> To make the meaning of our words clear we use body language. Body language is a language without spoken words and is therefore **called non-verbal communication.**

Body Language

> Research shows that 55% of communication is conveyed by the body language we use, i.e., use of eye contact, gestures and facial expressions. 38% is conveyed in the voice, by its quality, use of tone and inflections. Only 7% is conveyed in the words.

Formal And Informal Communication

- The communication in which information flows through proper and pre-defined solutions is referred to **as Formal Communication**. It follows a hierarchical chain that is generally established by the organization itself. Some general examples of formal communication are reports, commands, orders.

- Informal communication is multidimensional, it flows freely in the organization without any restraint of predefined channels or routes. It is comparatively very quick and relational. In organizations it is often called the '**grapevine**'. It is also important for the growth of a company because employees can discuss work-related issues more openly which ultimately saves the company's time and money.

External And Internal Communication

- Internal communication is information exchange within the organization. Messages can be **exchanged via personal contact, telephone, e-mail, intranet (the website accessible only by employees**) etc. In external communication the information exchange goes both within the organization and outside of it. Organizations communicate with the outside world on a daily basis. External communication can be formal and informal.

Modern Communication Issues

- **Lack of awareness/ignorance:** Different people have different needs and expectations or may work in an environment that gives a different context to their message. This can be a country with different laws, currency, customs, holidays, time zone. It pays to be aware of who your audience is and possibly try to understand them before you start.

- **Lack of clarity in tone:** Tone is important at any time, but especially in times of challenge or change. No matter what the circumstances, learn to pay attention to the tone of your message.

- **Disconnect between sender and receiver in Internet / Email communications:** One of the studies found that although 50 percent of all online communication are misunderstood, senders believe that their message is being received clearly.

- **Not seeking feedback:** We need to learn how to plan for and carry out the conflicting situations in disseminating communications especially modern means by providing clear and actionable feedback, even when it's not the easiest path.

- **Speaking more and listening less:** When you listen, you open yourself up to learning more about a given situation and gaining empathy for what is happening. One may even accomplish more when he/she balances speaking and listening especially by using modern gadgets.

- **Reacting instead of responding:** When it's your impulse to react with anger and frustration, just wait. Take a deep breath, engage your brain and consider all the facts (even those you may not know yet). When you pause to reflect, you respond instead of reacting.

- **Using communication as a weapon:** This is especially true in the case of email where threatening or passive aggressive communication may go unanswered at the time of receipt but are sure to have a long term negative effect.

- **Underestimating your audience:** Rather than avoiding the situation, enlist the skills at hand to help find solutions.

Barriers To Effective Communication

- **Communication overload** is barrier in organisational communication. It occurs when the amount of information exceeds the capacity of individuals to absorb and process it. This is especially likely at higher echelons in organisations, where the amount of time spent in communication is greatest. When a unit starts approaching communication overload, it simply cancels the lowest-priority messages, which are not sent at all.

- **Badly expressed messages:** Lack of clarity and precision in a message makes it badly expressed. It means the message suffers from omissions, inaccuracies, repetitions, ambiguities, lack of clarity. This makes communication process ineffective thus, consumes a great deal of time and money for subsequent clarifications.

- **Faulty Translations:** Every manager receives various types of communications / decisions from his superiors. The superiors are known for their technical / specialized language. Hence, these messages may not be understood by those who have to implement these orders. As such, the message has to be put into

words appropriate to the level of intelligence and capability of the receiver who has to implement and/or convey the same down the hierarchy.

- **Inattention:** The pre-occupation of mind of the receiver and consequent non-listening is one of the major psychological barriers in the communication process. In such situations, the efforts of the communicator will fail. Hence, the communicator has to choose proper time to communicate and the receiver should be attentive so as to make the process effective.

- **Loss by transmission and poor retention:** When the communication passes through various levels in the organisation, successive transmissions of the same message are increasingly inaccurate. It is said that in case of oral communications, about 30% of the material information is lost in each transmission. Even in written communications, the loss of meaning may occur as far as the appended interpretation, is concerned. Poor retention of the information is yet another problem being faced in the organisations.

- **Vague and un-clarified assumptions:** While the purpose of the communication is to clearly direct the receiver as to what he is desired of him, if the message is vague and not clear and does not convey proper meaning and does not clarify the assumptions, then the receiver ends up in confusion as to what he has to do with such communication. Hence, the communications should be clear from all assumptions/doubts.

- **Emotional or psychological barriers:** Emotional or psychological traits are the major barriers in inter-personal communications. The meaning ascribed in the communication depends upon the emotional or psychological status of both the sender and the receiver. The hostility between the parties leads to emotional barrier thereby however much effective communication it may be, the parties will view the same from their hostile attitude.

- **Dis-trust of communicator:** This arises out of ill-conceived judgments or illogical decisions or frequent countermanding of the original communication by the communicator. Repeated experience of this type gradually reduces the employees' interest in the communication resulting into inaction or delay in complying with such communications.

- **Noise:** In the modern society, the noise is a big barrier for communication process. This noise may be on account of faulty instrument or media through which the communication is transmitted and/or the noise in the places of sender/receiver. If the noise is not controlled, it may not be possible for the receiver to listen anything or make out any sense of the message.

- **Personal factors:** Since the organisations, especially those owned by Government, consists of people belong to different language groups, cultural and geographical backgrounds, etc., barriers do occur on the premise of language and culture. This apart, differences in hierarchical positions have their implications in terms of work structure, authority, status, self-esteem, ego states and reporting relationships. In such situations, people may have bias, fear, ego, etc., which act as barriers to the free flow of communication.

- **Un-conducive Organisational Climate:** Apart from the above barriers, the prevailing organisational climate has its impact on effective communication. In case of a conducive climate which fosters openness and mutual trust among the employees, there would be free flow and frankness in communication process. In contrast, if the organisational climate is disturbed thereby not conducive for openness and trust, avoidable barriers in communications would emerge.

Communication & Customer Relations

- In the context of communication and customer relations, there are three cardinal principles which require to be imbibed by any good business organisation. They are – **Adequacy, Transparency and Consistency**.

- **'Adequacy'** implies that all relevant information is made available by the business and its management to its stakeholders facilitating them to have a fair assessment of the state of affairs of the organization.

- **'Transparency'** relates to the degree of openness in the sense that no attempt is made to cover up or hood-wink the shareholders.

- **'Consistency'** reflects the principle of oneness, i.e., speaking by all, who matters in the organisation from top to bottom, on the same wavelength with utmost consistency.

- Business organisations cannot afford to ignore the customer expectations and their rights, viz., right of information, the right of choice and the right of accountability.

Steps for Effective Organisational Communication

- Unless **management comprehends and fully supports** the premise that organisations must have high degrees of communications, the organisation will remain stilted. Too often, management learns the need for communication by having to respond to the lack of it.
- Effective internal communications start with **effective skills in communications**, including basic skills in listening, speaking, questioning and sharing feedback. These can develop with some concerted review and practice. Perhaps the most important outcome from these skills is conveying that you value hearing from others and their hearing from you.
- A key ingredient to developing effective communications in any organisation is **each person taking responsibility** to assert when they do not understand a communication or to suggest when and how someone could communicate more effectively.

Strategies to Support Effective Organisational Communication

Downward Communication

➢ Ensure every employee receives a copy of the strategic plan, which includes the organisation's mission, vision, values statement, strategic goals and strategies about how those goals will be reached.

- Ensure every employee receives an employee handbook that contains all up-to-date personnel policies.
- Develop a basic set of procedures for how routine tasks are conducted and include them in standard operating manual.
- Ensure every employee has a copy of their job description and the organisation chart.
- Regularly hold management meetings even if there is no formal agenda.
- Hold full staff meetings every month to report how the organisation is doing, major accomplishments, concerns, announcements about staff, etc. Leaders and managers should have face-to-face contact with employees at least once a week.
- Regularly hold meetings to celebrate major accomplishments. This helps employees perceive what is important, gives them a sense of direction and fulfillment, and lets them know that leadership is on top of thing.
- Ensure all employees receive yearly performance reviews, including their goals for the year, updated job descriptions, accomplishments, areas of improvement, and plans to help the employee accomplish the improvements.

Upward Communication

- Ensure all employees give regular status reports to their supervisors. Include a section for what they did last week, will do next week and any actions/issues to address.
- Use management and staff meetings to solicit feedback. Act on feedback from others. Write it down. Get back to it—if only to say you can't do anything about the reported problem or suggestion, etc.
- Respect the "**grapevine**." It is probably one of the most prevalent and reliable forms of communication. Major "**movements**" in the organisation usually first appear when employees feel it safe to venture their feelings or opinions to peers.

Cross-sectional Communication

- Organisation has to encourage a cohesive and cordial communications with peer departments and cross-section of business verticals. For example, in order to ensure better customer service and timely delivery of goods and services, a better co-ordination and communication / interaction/relationships are paramount between Sales, Marketing and Dispatch departments, etc.
- Such effective communication between the various departments will bring cohesiveness in business, better inter-personal relationships and ultimately results higher growth in business and profits.
- The advent of **'Call Centre'** initiatives by the banks is the best suited example to demonstrate cross-sectional communication channels being furthered by the banks. These call centres are the effective channels to facilitate quick and effective response to customers for resolution of their grievances with timeliness.

HR And Communication

- From an HR viewpoint, effective organisational communication contributes to learning, teamwork, safety, innovation and quality of decision-making in organisations. In an age of increased competition for talent, communication has

become a strategic tool for employee engagement, satisfaction and retention. Effective organisational communication contributes directly to employee and organisational learning, an essential factor for competitive advantage.

- HR is expected to do a lot – **establish or change culture, manage change big and small, develop leaders, engage employees** – all major contributors to an organisation's bottom line. Further, the new workforce tends to be communicated in a most-concise manner by avoiding long explanations. Therefore, HR has a great role in instilling effective communication suiting to the varied needs of the different generational employees in the organisation.

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CAIIB HRM Module B Unit 4- HR Functions

HR Functions

With the increasing competition in business organisations and also the consequent transformation in HR role, the following new functions have to be owned by the HR as an impetus to 'SHRM':

- **Core People Role**
- **Organisational Value-Add Role**
- **Business Transformation Role**

Broad Functions under each Role:

Role	Broad functions
1. Core People Role	Selection, Orientation, Career Development, Motivation, compensation, welfare services, retention & seperation.
2. Organisational Value-Added Role	HR technology services, creating a learning work environment, organisational development & consulting.
3. Business Transformation Role	creating flexible work culture, aligning HR initiatives to business strategies, implement organisational change & transition with ease, assess return on investment on human capital.

HRP System

A comprehensive HRP System keeps in mind the following elements:

- The organisation's growth plans.
- Current and possible future trends in business.
- Gaps in current manpower in terms of numbers and capabilities.
- The employment scenario and availability of the desired profiles.
- Approach towards cost effective sourcing of candidates.

Various Steps Involved in HRP

A typical HRP consists of the following steps:

- Analyzing organisational plans.
- Demand Forecasting – Forecasting the overall human resources requirements in accordance with the organisational plans.
- Supply Forecasting – Obtaining the data on the present inventory of human resources and forecast the future changes in present human resource inventory.
- Estimating the net human resource requirements.
- In case of future surplus, plan for redeployment, retrenchment and lay off.
- In case future deficit, forecast the future supply of human resources from all sources.
- Plan for recruitment, development and internal mobility and career progression of future supply will be inadequate with reference to future net requirements.

HRP Process

Once the manpower gaps have been identified, the next stage is the sourcing process with serious thought given to internal as well as external hiring, the methodology to be used for both along with the training to be given. In the process of estimating the future quantity and quality of people required, the basis should be annual budget and long term corporate plans.

Demand forecasting is based on the following factors.

Internal Factors:

- ✓ Business projections,
- ✓ Budget constraints,
- ✓ New products and services,
- ✓ Attrition rate

External Factors:

- ✓ Competitive environment
- ✓ Job market scenario
- ✓ Economic climate
- ✓ Technology changes
- ✓ Social Factors

Manpower Forecasting Techniques

- **Work Study Techniques** gives the numbers for routine activities and in new areas such as BPO operations where productivity can be measured based on number of calls per hour, etc.
- **Delphi Techniques** involve estimates from a group of experts, and HRP experts normally act as intermediaries, and summarize requirements based on a qualitative assessment. Looking within, the HR experts also identify the talent available in house, and take into account typical absenteeism, internal movements as well as loss due to attrition.
- HRP, being an annual exercise, generally in Indian organisations including banks, the HRP exercise is being done internally through HR experts/professionals in their pay-roll.

Recruitment & Selection

Recruitment Process

- The recruitment strategy takes into account the potential of current and future employees to sustain and improve on business levels, build an image for attracting the best talent and maintain the competitive edge throughout.

Internal Recruitment

	Advantages		Disadvantages
1.	Less Costly	1.	Traditional approach, play safe
2.	Candidates already oriented towards organisation	2.	It abets raiding
3.	Organisations have better knowledge about internal	3.	Candidates' current work may be affected
4.	Employee morale and motivation is enhanced	4.	Politics play greater roles
		5.	Morale problem for those not promoted

External Recruitment

	Advantages		Disadvantages
1.	Benefits of new skills and talent	1.	Better morale and motivation associated with internal recruiting is denied
2.	Benefits of new experiences	2.	Costly method
3.	Compliance with reservation policy becomes easy	3.	Chances of negative and costly errors of wrong recruitment
4.	Scope for resentment and heartburn are avoided	4.	Adjustment of new employees takes longer time

Selection

- Selection is the process of picking up individuals (out of the pool of job applicants) with requisite qualifications and competence to fill jobs in the organisation.
- It is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in a job.

Difference Between Recruitment And Selection

	Recruitment		Selection
1.	Recruitment refers to the process of identifying and encouraging prospective employees to apply for jobs.	1.	Selection is concerned with picking up the right candidates from a pool of applicants.
2.	Recruitment is said to be positive in its approach as it seeks to attract as many candidates as possible.	2.	Selection on the other hand is negative in its application in as much as it seeks to eliminate as many unqualified applicants as possible in order to identify the right candidates.

Selection Process: Steps Involved

- **Screening and Preliminary Interview:** Screening helps to eliminate applicants who do not fit the desired profile. Preliminary interviews also help weed out the less qualified and weaker candidates.
- **Selection Tests:** Selection tests help in bringing down the number of job seekers, especially in popular jobs such as banking while at the same time helping in short listing better qualified candidates. These tests can be Aptitude Tests, Personality Tests, and Ability Tests and are conducted to judge how well an individual can perform tasks related to the job. Besides this there are some other tests also like Interest Tests (activity preferences), Graphology Test (Handwriting), Medical tests, Psychometric Tests, etc.

- **Personal Interview:** Interview is a formal and in-depth conversation between the applicant and a panel of experts whose role is to assess the potential candidate's profile and match perceived competencies to that of the given role. Interviews can be One-to-One, Panel Interview, or Sequential Interviews
- **Reference and Background Checks:** Reference checks and background checks are conducted to verify the information provided by the candidates. Reference checks can be through formal letters, telephone conversations. With the recent spate of data theft from call centres as also the possibility of computer hacking and even the terrorist threats, reference and background checks have become very important and today almost all leading companies conduct elaborate background checks.
- **Selection and Job offer:** After assessing the results of all the tests, interviews and other assessment tests if any, a decision is taken on selection of the most suitable candidate. Selected candidates undergo a mandatory medical examination following which the successful candidates are given a job offer, with all relevant details of the position. On acceptance of the offer, an appointment letter is issued, giving all terms and conditions of appointment.

Essentials of a Good Selection Practice

- Detailed job descriptions and job specifications prepared in advance and endorsed by HR and line management.
- Trained panel of interviewers, with special emphasis on behavioral event interviewing.
- There should be some standard with which a prospective employee may be compared (i.e., these should be available beforehand a comprehensive job specification as developed by job analysis.)
- Line managers involved at all possible stages.
- All newly appointed candidates are put through a well-designed training program.

E-Recruitment

- E-Recruitment which also known as **"Online recruitment",** is the use of technology or the web based tools to assist the recruitment processes. The tool can be either a job website like naukri.com, the organisation's corporate web site or its own intranet.
- Many big and small organisations are using Internet as a source of recruitment. They advertise job vacancies through worldwide web. The job seekers send their applications or curriculum vitae (CV) through an e-mail using the Internet. Alternatively, job seekers place their CVs in worldwide web, which can be drawn by prospective employees depending upon their requirements.

Advantages of E-Recruitment

- It is highly cost efficient and promises increased ROI.
- It gives accessibility to a big pool of resumes compared to other methods like newspaper ads.

- E-recruitment brings in an organized and proactive recruiting process.

- Easy and efficient way of recruiting.

- Shortened recruiting time span.

- Reduced complexity, reduced paper work and streamlined workflow.

- Establishes efficient communication channel between recruiter and candidate.

- Helps in establishing a relationship between the recruiter and the candidate.

- Dependable database applications available to support the company's recruitment process.

- Modern HR departments cannot ignore the efficiency that internet brings in.

Latest Trends in Corporate Recruitment

- Corporate Talent Network
- Social Sourcing
- Recruiters as Sourcers not Recruiters
- A Barrage of New Assessment Science
- Building an End-to-End Talent Brand
- Modernized applicant tracking software
- A great candidate experience
- High value outsourcers and staffing firms
- BigData and BigData Firms

Role of Recruitment Agencies from the Point of the Company and Prospective Candidate

- One of the latest trend in recruitment method is through recruitment agencies. This intermediary recruitment method ease the administrative problems for both the Corporates and the prospective candidates.
- Recruitment agencies match candidates to job vacancies, working with companies directly to help fill their roles. Recruitment agencies work in a number of different ways. Initially, a company will get in touch with them to say they have a role on offer. The recruitment agency will then either:
- ➢ **Look at their current database, to find matching candidates.**
- ➢ **Post the job online to source applicants with the right skills.**

When they've sourced some suitable candidates, they'll then send them through to the company for approval, and generally arrange interviews for the best-matching candidates.

Benefits of using a recruitment agency include:

- **CV and cover letter advice**

- **Expert interview coaching**

- **Constructive feedback from each interview and employer**

- **Specialist advice for your chosen field**

- **Being put forward for any relevant roles that come up**

In Public Sector Banks, the recruitment to lower positions in feeder cadre, i.e., Sub-staff is being done by individual banks whereas in the recruitment to clerical positions and to the officer positions up to Scale III is being done through Institute of Banking Personnel & Selection (IBPS). However, for the senior positions like Scale IV and above are being done through recruitment agencies of high repute having sufficient expertise in sourcing such positions through innovative and effective selection methods like. Assessment Centre Approach, Management Games, etc., besides tough aptitude test, wherever required.

Impact of Technology on Critical HR Functions

- **Sourcing: Redditt, Github, Facebook Graph search, Network Money, I-Page, Linkedin** are popular platforms which help companies to reach a talent pool that's relevant to their needs.
- **Referrals: Zao** is an employee referral software. It provides an easy-to-use platform for managing referral rewards and incentives as as well as social recruiting. The interesting part is that it does all this using innovative gamification technology.
- **Job Posting: Indeed and Jobs2Careers** are popular job board among job seekers with billions of monthly searches done.
- **Candidate Management: Workable** is an Applicant Tracking System (ATS) that automates and streamlines company's recruiting process. It has tools to write job ads and post them to a variety of free and paid job boards. When resumes start pouring in, it helps the company to store them, search them, move candidates across the hiring pipeline and write comments and evaluations.
- **Task Management: Trello's** interface makes it easy to track processes, tasks and even candidates. The ability to move around entries from one stage to another and assign them to specific people can promote easy collaboration.
- **Selection: SparkHire, HireVue** specialize in video interviewing. **Gapjumpers** offers a method to hire "using blind auditions" avoiding harmful biases when screening and evaluating candidates. **SurveyMonkey** are helpful to create pre-interview questionnaires to screen out candidates who aren't a good fit before it spend time and effort in interviewing them.
- **Onboarding**
  - **Kin**: Through its technology, the company can manage paperwork and create individual onboarding processes and checklists for each new employee.
  - **Namely**: Along with functions for payroll and benefits, it helps the company create an effective orientation process where paperwork and signatures are digital.
  - **BambooHR**: Their onboarding function is full of interesting features such as "get to know you" emails for introducing employees and preparing new hires for their first day.

Usage of Payroll Management Software

- Payroll software is a tool that aims to restructure and automate the method of paying the employees of a company, making the task of processing payroll less time-consuming and convenient.

Advantages of Payroll Management Software to Business growth

- **Effective Costing:** When employees themselves work on the salary management software without seeking help of professionals a lot of money is saved in this process. Thus, no expertise is needed to use the software; making it very user-friendly.
- **Notifications and Updates:** The salary software keeps reminding the HR people of important notifications like tax payments and salary due dates.
- **Employee Calendars:** These calendars are an easy approach to manage different aspects of employee status like check on sick leaves, absence and overtime. Time management software with payroll helps employees to make plans and decisions on a particular day.
- **Pay slips:** This salary slip software helps the company to generate pay slips so that employees and company can keep the payment records.
- **Time Saver:** Automation of the data management in this payroll management software helps speeding up the process of company's work and saves a lot of time.
- **Negligible Errors/Mistakes:** Errors/mistakes are minimized due to computing and automation benefits.
- **Customer Services**: With saving of time and money the employees can focus on the customers better thereby improving company' business standards.

Human Resource Information (Management) System (HRIS/HRMS)

- Human Resource Information System (HRIS) is a software through which organisations can take care of all HR processes and unify employee data in a single system.
- It can be utilized within the department to help human resources employees and managers improve their productivity and the results of their efforts. In many of the organisations including banking industry, this software is also called Human Resource Management System (HRMS).

Key functions of HRIS/HRMS

- **Benefits and welfare administration:** This function deals with the benefit policies of employee in an organisation like, perks, special allowances, insurance, profit sharing and retirement benefits.

- **Payroll Handling:** The HRIS system helps in maintaining the attendance and generating the payroll according to it and also in the preparation of pay slips.

- **Employee Record Handling:** There is a need to manage all the documents related to the individual like offer letter, appointment letter, appraisal letter, relieving letter from the past company and many other documents and need to be managed correctly with exact working dates. HRIS helps it by providing a

feature like document generation and document management so HR managers can control this activity with higher number of people as well.

➢ **Recruitment:** HRIS system helps in organizing the recruitment activities properly like resume management, interview panel making, selection criteria, number of interview rounds and many other activities which needs to be performed as the recruitment process.

➢ **Training & Development:** The HR department is responsible for organizing training session for its employee. HRIS helps in maintaining all these records, keeping appointment filtering of employee list based on their knowledge, weakness and other criteria, through which a session can be organized and proper identification can be done for employee while managing the trainings.

➢ **Performance Management:** Collecting reports and other relevant information like extra-curricular activities & participations, learning reports, are joined together for analysis and comes out with the appraisals, incentives and promotions. HRIS supports these activities in analyzing the reports and works as a decision support system for the HR.

➢ **Attendance Management:** HRIS is majorly used here in an automated fashion mostly where HR keeps the record of all the employees' attendance, leaves – paid or non-paid, holidays granted or not granted one and of course timely reporting. Although there are smart machine and system now-a-days which manages attendance with a card swipe or a finger print reader, so in modern world it's not a core HR function.

Benefits of HRIS / HRMS

There are many benefits that can be enjoyed after implementing a HRIS into an organisation, such as:

➢ Expedition of recurring tasks through automation.
➢ Improved ability to reach large candidate pools regarding new position openings.
➢ Ability to quickly apply higher selection standards to a number of applications.
➢ Speedy on boarding made possible by mobile accessibility.
➢ Reduction of paper and related materials and storage
➢ Ease in distributing up-to-date materials concerning company policies and procedures.
➢ Potential for greater employee engagement through self-service options.
➢ Streamlining of open enrollment for benefits.
➢ Empowerment of employees to change benefits information directly as changes occur.
➢ Improved collaboration throughout organisation, even when there are multiple company locations.
➢ Improvements in training capabilities through integration with LMS and development tracking features.
➢ Scheduling optimization with emphasis on compliance and immediate distribution to employees.
➢ Reduction of errors in payroll and employee information database.

- Improved time and attendance tracking abilities and accuracy.
- Decrease in compliance woes aided by alerts and automatic reporting options.
- Ability to make more informed decisions in real time by using analytics and integration of organisational data.
- It reduces errors and maintain required Compliance.

Efficient Business Communication Tools

- Intranet / social intranet
- Chat Rooms, Private and Group Messaging
- Discussion Forums
- Internal Blogs, Video and Audio
- Podcasts
- Gamification

'Social Media Policy' For Organisations

Some of the common points/terms which encompass the 'Social Media Policy' of companies:

- Employees are allowed to associate themselves with the company when posting but they must clearly brand their online posts as personal and purely their own. The company should not be held liable for any repercussions the employees' content may generate.
- Content pertaining to sensitive/confidential information of the company should not be shared to the outside online community. Divulging information like the company's design plans, internal operations and legal matters are prohibited.
- Proper copyright and reference laws should be observed by employees when posting online.
- Not to use the company logo or company branding on any social media platform without prior approval from the concerned authority of the company.
- Not to communicate anything that might damage the company's reputation, brand image, commercial interests or the confidence of its customers.
- Not to represent or communicate on behalf of company in the public domain without prior approval from the concerned authority of the company.
- Not to post any material that would directly or indirectly defame, harass, discriminate against or the company, staff member, supplier or customer

Compensation

- Compensation is the remuneration received by an employee in return for his/her contribution to the organisation. It is an organised practice that involves balancing the work-employee relation by **providing monetary and non-monetary benefits to employees.**
- Compensation is an integral part of human resource management which helps in motivating the employees and improving organisational effectiveness.

There are three key issues to take into account when considering salaries:

- Salaries should be consistent with the organisation's grading structure – the higher the grade the higher the salary. This ensures that the principle of equal pay for equal work is followed.
- Salaries should be fair. Consider what other similar organisations are paying people for carrying out similar jobs.
- The grading and salary system should be transparent and easy to understand. This means that staff can clearly see where their salary fits within the organisation's overall grading and salary structure.

Types of Compensation

- Compensation provided to employees can be direct in the form of monetary benefits and/or indirect in the form of non-monetary benefits known as perks, incentives, variable pay, etc.
- Compensation does not include only salary but it is the sum total of all rewards and allowances provided to the employees in return for their services. If the compensation offered is effectively managed, it contributes to high organisational productivity.

Strategic Compensation

- It is linked to performance and contribution of the concerned employee towards attaining key goals of organisation. Strategic compensation is determining and providing the compensation packages to the employees that are aligned with the business goals and objectives.

Cost to Company

- Cost to company (CTC) is a term for the total salary package of an employee. It indicates the total amount of expenses an employer (organisation) spends on an employee during one year.

Components of salary

- **Basic salary:** Basic salary is the core salary and it is the fixed part of the compensation package. Generally, the basic salary depends upon the employee's designation or grade.
- **Allowance:** Different types of allowance is given to employees such as house rent allowance (HRA), leave travel allowance (LTA), dearness allowance, convenience allowance, city compensation allowance and children's education allowance.
- **Perquisites:** It is basically different facilities such as rent free accommodations, car facility, interest subsidy on loan, reimbursement on medical bills and club facility.
- **Contribution to provident fund:** Twelve per cent of the basic salary gets contributed from the employee for PF and another 12 per cent by the employer. So, 24 per cent of the basic salary gets deducted.
- **Reimbursement**: Sometimes employees are entitled to many reimbursements such as medical treatment, newspaper, phone bill, etc.

- **Life and health insurance:** organisation pays the premium of employees' life and health insurance. But in reality, it is included in the CTC.
- **Transport facility:** transport facility or pick-and-drop facility is also a component of the package.
- **Subsidized meals:** Free lunch, subsidized meals from office canteen, food coupons even the tea or coffee come with a price tag to the employee.
- **Rent of the office space:** the rent of office space (the space in the employee's cabin) is borne by the employee in his CTC.

Formula

> **CTC =** Direct benefits + Indirect benefits + Saving contributions.
> **Take Home Salary =** Direct benefits – Employee PF – Other deductions – Income tax.

Compensation Structure in Public Sector Banks (PSBs)

- In Public Sector Banks, the compensation and wages are covered by the bilateral agreements/settlements being entered into, at Industry level, i.e., at Indian Banks Association (IBA) after obtaining necessary mandates to this effect from individual banks.
- The operation of these settlements are for 5 years and these settlements encompass entire gamut of compensation aspects.

Incentive- Based Compensation

- Incentives are monetary benefits paid to employees in recognition of their outstanding performance. They are defined as variable rewards granted according to variations in the achievement of specific results.

Advantages of Incentive Based Compensations

> Incentives are important for inducement and motivation of workers for higher efficiency and greater output.
> Employee earnings go up, resulting in enhanced standard of living of employees.
> Productivity increases and production capacity is also likely to increase, even with reduced supervision.
> Companies can reduce the burden of fixed costs by keeping a portion of the remuneration as variable.

Disadvantages of Incentive Based Compensation

> Tendency to bypass quality in pursuit of increased output for higher incentives.
> Sometimes employees may disregard security regulations due to payment by results approach adopted for higher incentive figures.
> Overworking may affect employee health.
> Can demotivate employees not in a position to earn higher incentive due to sectional differences.

Attrition / Turnover Management

- Attrition, refers to the phenomenon of the employees leaving the company. It is usually measured with a metric called **attrition rate**, which simply measures the number of employees moving out of the company (voluntary resigning or laid off by the organisation).
- One of the most concerning issues for HR managers in India is the high staff turnover. Staff turnover or Employee turnover refers to the number or percentage of workers who leave an organisation and are replaced by new employees. Measuring employee turnover can be helpful to employers that want to examine reasons for turnover or estimate the cost-to-hire for budget purposes.

Compensation and Employee Attrition

- Research and experience suggest that many managers are concerned that their best and brightest employees may pack their bags in search of greener pastures if they receive smaller bonus checks than what they think they've earned.

Following are six practical steps managers can take to improve employee engagement:

- ➢ Help employees view their pay as more than base salary increases and bonuses and understand that total rewards also include recognition, meaningful work and career opportunities.
- ➢ Understand what truly engages and motivates employees. It is often much more than money as different people value different rewards.
- ➢ Clearly communicate the link between performance and rewards. Clearly explain the reasons for the reward and the amount of the reward.
- ➢ Ensure that performance assessments and total rewards appropriately differentiate the best, solid and weakest performers.
- ➢ Assess and improve the organisation's work climate by training managers to motivate employees.
- ➢ Use feedback as a gift – make it meaningful and give it often.

Arresting Attrition:

- Many companies are developing innovative practices in countering this job hopping phenomenon. In order to address the issue of arresting attrition, companies have to start thinking from a rudimentary level, which has to be initiated right from acquiring talent. Once they understand the fitment between deliverables from a talent and his/her expertise and competencies, only then the initial war can be won.
- It is very important to understand the aspirations of a particular talent. Job engagement and transparent evaluation also play a pivotal role. Job engagement will help keep the interests of the employee intact while transparent evaluation will help understand his/her current state and future path.
- Once talent is engaged to a certain extent, he/she will not only be motivated to work and sharpen his/her skills, but also get utilized for other tangential responsibilities. Organisational behaviour and culture also play a critical role. They are among the decisive factors for sustenance of talent in an organisation. They give confidence to any employee to prosper and flourish.

Top 10 Ways to Mitigate Attrition in IT/ITES Industry

Build people skills of middle management:

While doing attrition analysis 3 key stated reasons emerges

- Career Opportunity
- Compensation
- Personal Reason.

However, un-stated reasons starts appearing and most of time the reason has to do with lack of opportunity for capability building, emotional turmoil, lack of job satisfaction, respect at work, dis-satisfaction with Manager, etc. It is an acceptable fact in the Industry that 80% of employee leave their Managers instead of their organisation. It is a high time that we start paying attention to developing people management skills of our Managers.

- **Focus on Capability building and creating an eco-system:** where people development is at the fore-front of leadership mindset. While it is difficult to stop attrition completely, however, by focusing on building people capability, you can make the "PULL" factor by competitors difficult.
- **Communication on Compensation & Benefits –** Majority of organisations fail to position their compensation philosophy/benchmarking/structure and thus fails to leverage the advantage visa-vis their competitors.
- **Engage employees over & beyond their day to day job** and ensure that their insecurities and vulnerabilities are addressed appropriately and timely through various programs and practices which could be designed keeping in view organisation context and requirements.
- **Provide Growth Opportunities and communicate about them** Majority of companies do provide growth opportunities, however, fail to leverage due to lack of communication on this front.

Managing expectation of employees is a key

- **Provide opportunities for skill up-gradation through training intervention or internal job assignment/movement.**
- **Career Pathing plays a key role.** It would serve the purpose if all employees who have spent > 18–24 months in the system are pro-actively spoken and asked for their career preferences to bring about a spark and end monotony of work.
- **Creating Training Academies with in and also do tie up with institutions**. Create sabbatical policy so that those employees who wants to pursue higher education can do so without leaving their job.
- **Effectiveness of Reward & Recognition –** work hard and party harder is the mantra in IT/ITES industry. Celebrating success is a key. Strong reward & recognition framework keeping in view the context and levels also plays a critical role in employee retention.

Employee Risk Assessment Systems In Banks

- **Risk Assessment** is a systematic method of looking at work activities, considering what could go wrong, and deciding on suitable control measures to prevent loss, damage or injury in the workplace. The assessment should include the controls required to eliminate, reduce or minimize the risks.
- **Employee risk assessment** is a careful examination of what, in the organisation, could cause harm to people, so that one can assess whether they have taken enough precautions or should do more to prevent harm. A risk assessment is an important step in protecting employees as well as business, as also complying with the law. It helps to focus on the risks that really matter at the workplace – the ones with the potential to cause harm.
- Banks being the custodians of public money, the employee risk which is a part of operation risk frame work, is paramount and as such, there has been a robust structure in periodical assessment of employee risk through tested models as directed by Reserve Bank of India.

Maintaining Effective Relationship between Employees & Employer

- The relationship between employer and employee is primarily determined by the actions and attitudes of the employer. For instance, the employer generally sets the tone for whether the climate in the work environment will be casual, professional, regimented, creative, etc. The atmosphere that the employer desires to create will, therefore, determine whether the employer/employee relationships are healthy and productive.
- The relationship largely defines the organization and has far-reaching effects on company culture, employee satisfaction, and turnover rates.
- **According to Nesco Resource,** "When employees have a strong, healthy relationship with their employers, the entire company benefits. Studies show that employees who have mutually respectful relationships with their employers are more likely to be happy, loyal, and productive in the long-run

CAIIB HRM Module B Unit 5- Performance Management

Performance Management System

- **Performance Management** is the systematic process by which the organisation involves its employees, as individuals and members of a group, in improving organisational effectiveness in the accomplishment of its mission and goals. It is the process of identifying, evaluating and developing the work performance of employees so that the company's goals and objectives are more effectively achieved.
- **Performance Management System (PMS)** is a formal, structured system of measuring, evaluating job related behaviours and outcomes to discover reasons of performance and how to perform effectively in future so that employee, organisation and society all benefit.

- Management of Performance is a major managerial activity and leads to a number of other HR initiatives starting with rewards, training and development and shows the way for a company's accelerated growth.

Performance Management Cycle

The Performance Management process generally includes, Goal Setting, Planning, Monitoring, Developing, Reviewing, Analysing & Rewarding.

Performance Management Cycle is based on the plan-do-review-revise cycle.

> - **Plan: –** Understanding current performance, prioritizing what needs to be done, identifying actions that need to be taken and planning for the improvement
> - **Do:–** Ensuring that the proper systems and processes are in place to support improvement, take action and manage risk – and helping people achieve better performance
> - **Review: –** Understanding the impact of your actions, reviewing performance, speaking to users and stakeholders about their experience of performance and getting a better picture of changing circumstances.
> - **Revise: –** Using the lessons learned from review to change your plans or what you do so that future action is more efficient, effective and appropriate.

Some Salient Points Associated with Performance Management

- **Development of individual goals –** In the context of Performance Management process, the role of Key Result/Responsibility Areas (KRAs) is very important. KRAs refer to general areas of outcomes or outputs for which the department's role is responsible based on the KRAs set as well as the organisational goals, and as per the goal setting method followed in the organisation.
- **Alignment of goals across the organisation –** the sum total of the individual goals must add up to achievement of the corporate goal.
- **Manager assessment of performance –** typically, appraisal is done by the immediate manager, based on a self-assessment by the appraisee.
- **Employee self-assessment of performance –** an important feature, giving an opportunity for the employee to state his accomplishments.
- **Peer or 360° assessment of performance –** a more sophisticated and comprehensive assessment, taking into account a number of views from a cross section of boss, subordinate and peers.
- **Competency assessment –** (often called assessment of "potential")
- **Coaching and development –** related planning for future career positions.

These seven processes form and enhance the relationship between managers and employees.

Performance Appraisal System

Various Steps Involved in Performance Appraisal Process

- **Establishing Performance Standards:** At the time of designing a job and formulating a job description, performance standards are usually developed for

each position. These standards should be clear and not vague, and objective enough to be understood and measured.

- **Communicate Performance expectations to concerned employee:** The next step is to communicate these standards to the concerned employee.
- **Measure Actual Performance:** The third step is to determine what actual performance is. For this purpose, it is necessary to acquire information as to how to measure and what to measure.

Four sources of information are frequently used to measure actual performance:

- ✓ **Personal observation,**
- ✓ **Statistical reports,**
- ✓ **Oral reports and**
- ✓ **Written reports**

- **Compare actual performance with standards:** The employee is appraised and judged of his potential for growth and advancement. Attempts should be made to note deviations between standard performance and actual performance
- **Discuss the Appraisal with the Employee:** The outcome of the appraisal is discussed periodically with the concerned employee. The positive outcomes, weak spots and difficulties are noted down and discussed so that performance of the concerned individual is improved.
- **Initiate corrective Action:** This is the final step in the performance appraisal process. After Identifying the weak spots and having discussed with the concerned employee, the superior has to initiate corrective action. Such corrective action may include – coaching and counseling, Training and mentoring, etc.

Techniques/Methods of Performance Appraisals

Broadly, all methods of appraisals can be divided into two different categories.

- ✓ Past-Oriented Methods
- ✓ Future-Oriented Methods

Past-Oriented Methods

Rating Scales:

- Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude, etc. Each scale ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived.
- ➢ **Advantages –** Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required.
- ➢ **Disadvantages –** Rater's biases.

Trait Analysis:

- Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared.
- Here the rater only does the reporting or checking and HR department does the actual evaluation.
- **Advantages –** economy, ease of administration, limited training required, standardization.
- **Disadvantages –** Raters biases, use of improper weights by HR, does not allow rater to give relative ratings.

Forced Choice Method:

- The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does actual assessment.
- **Advantages –** Absence of personal biases because of forced choice.
- **Disadvantages –** Statements may be wrongly framed.

Forced Distribution Method:

- Here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale.
- It is assumed that the performance is conformed to normal distribution. Assumption of normal distribution, unrealistic, errors of central tendency may occur.

Critical Incidents Method:

- The approach is focused on certain critical behaviours of employees that makes all the difference in the performance. Supervisors as and when they occur record such incidents.
- **Advantages –** Evaluations are based on actual job behaviours, ratings are supported by descriptions, feedback is easy, reduces recent biases, chances of subordinate improvement are high.
- **Disadvantages –** Negative incidents can be prioritized, forgetting the positive ones, overly close supervision.

Confidential Records:

- Mostly used by government departments, and in older organisations where the concept of self-assessment is not encouraged. Here the report is given in the form of Annual Confidential Report (ACR)
- It may record ratings with respect to following items; attendance, self-expression, team work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness, etc. The system is highly secretive and confidential. Feedback to the assessee is given only in case of an adverse entry. Rather negative in impact as the ratings are highly subjective and can be manipulated to suit an occasion.

Pen portrait:

- The assessor pictures in writing about the assessee, regarding his qualities and performance as well as his potential. Armies use this method in evaluating cadets.

Future-Oriented Methods

Management by Objectives:

A concept popular till recently and introduced by the management Guru, **Peter Drucker**, where performance is rated against the achievement of objectives stated by the management. MBO process goes as under.

- ➢ Establish goals and desired outcomes for each subordinate in a conference between the management and the concerned subordinate.
- ➢ Set performance standards.
- ➢ Assess performance achieved against goals set for the employee through frequent performance review meetings between the manager and the subordinate.
- ➢ Identify reasons for shortfall and give feed-back for improvement.
- ➢ Establish new goals and new strategies for the coming year.

Benefits of MBO method of appraisal:

- ➢ MBO helps and increases employee motivation
- ➢ Managers are more likely to compete with themselves than with other managers
- ➢ MBO reduces role conflict and ambiguity
- ➢ MBO provides more objective appraisal criteria
- ➢ MBO forces and aids in planning
- ➢ MBO identifies problems better and early
- ➢ MBO helps the individual manager to develop personal leadership especially the skills of listening, planning, counseling, motivating and evaluating.

Assessment Centre Approach Method:

- Under this method, many evaluators join together to judge employee performance in several situations with the use of a variety of criteria. It is used mostly to help select employees for the first level (the lowest) supervisory positions.
- Assessments are made to determine employee potential for the purposes of promotion. The assessment is generally done with the help of a couple of employees and involves a paper-and-pencil test, interviews and situational exercises.

Some of the other features of this system are:

- ➢ The use of situational exercises such as an in-basket exercise, management games, role-playing, critical incident and leaderless group discussion, etc.
- ➢ Evaluators are drawn from experienced managers with proven ability at different levels of management

➢ They evaluate all employees, both individually and collectively and each candidate is given one of the four categories: more than acceptable, less than acceptable and unacceptable

➢ A summary report is prepared by the members and a feedback on a face-to-face basis is administered to all the candidates who ask for it.

Behaviourally Anchored Rating Scales (BARS)

This is a modern appraisal technique which supports the claim that it provides better, more equitable appraisals as compared to other techniques. The procedure for BARS is usually five stepped as under:

➢ **Generate Critical Incidents:** Persons with knowledge of the job to be appraised (job holders/ supervisors) are asked to describe specific illustrations (critical incidents) of effective and ineffective performance behaviour.

➢ **Develop Performance Dimensions:** The people then divide the incidents into smaller set (say 5 or 10) of performance dimensions. Each cluster is then defined clearly.

➢ **Reallocate Incidents:** These critical incidents are then reallocated to any group of people who also know the job. They are given the cluster's definitions and asked to redesign each incident to the dimension it best describes. Typically, a critical incident is retained if some percentage (generally 50 to 70%) of this group assigns it to the same cluster as the previous group did.

➢ **Scale of Incidents:** This second group is generally asked to rate on a given scale, the behaviour described in the incident as to how effectively or ineffectively it represents performance on the appropriate dimension.

➢ **Develop Final Instrument:** A subset of incidents (usually 6 or 7 per cluster) are used as 'Behaviour anchors' for the performance dimensions.

Use of Performance Appraisals

In the organisations, generally, Performance Appraisals are used as vital input for the following HR processes:

• Promotions
• Confirmations
• Training and Development
• Compensation reviews
• Competency building

Goals of Performance Appraisal

General Goals	Specific Goals
Developmental Use	Individual needs
	Performance feedback
	Transfers and Placements
	Strengths and Development needs
	Salary
Administrative Decisions/Uses	Promotion
	Retention/Termination
	Recognition
	Lay offs
	Poor Performers identification
Organisational Maintenance	HR Planning
	Training Needs Analysis
	Organisational Goal achievement
	HR Systems Evaluation
	Reinforcement of organisational priorities
Documentation	HR Records and individual dossier
	Validation Research
	Legal Requirements

360-Degree Appraisal

- 360-degree appraisal was first developed by General Electric (GE), USA in 1992. Today it is used by all major organisations. In India, it is used by Crompton Greaves, Wipro, Infosys, Reliance Industries, etc.
- An appraisal made by top management, immediate superior, peers, subordinates, self and customers is **called 360 Degree Appraisal**. Here, the performance of the employee or manager is evaluated by six parties, including himself. So, employee gets a feedback of their performance from everyone around him.
- This method is very reliable because evaluation is done by many different parties. These parties are in the best position to evaluate the employee or manager because they are continuously interacting and working with him. However, on the negative side, receiving feedback from multiple sources can be intimidating, threatening as it is likely that multiple raters, not trained in the system may be less adept at providing balanced and objective feedback.

Competency Mapping

- A well established practice to ensure the right fit, is to map the competency of the person against the competency profile **defined for a given position**.
- A Competency is an underlying characteristic of a person which enables him/her to deliver superior performance in a given job, role or a situation. It is a set of

skills, related knowledge and attributes that allow an individual to successfully perform a task or an activity within a specific function or job.

- **'Core competence' is a unique skill or technology that creates distinct value to their capabilities**. fixed. The organisation can make maximum utilization of the given resources and relate them to new opportunities thrown by the environment.
- Core competencies help an organisation to distinguish its products from its rivals as well as to reduce its costs than its competitors and thereby attain a competitive advantage. These give way to innovations. They ensure delivery of quality products and services to the clients.

Some examples of organisational competencies and how they get described and derived.

- ➢ **Analytical Thinking:** The ability to break problems into component parts and consider or organize parts in a systematic way; the process of looking for underlying causes or thinking through the consequence of different courses of action.
- ➢ **Key Behavioral Indicators**
  - ✓ Independently researches for information and solutions to issues.
  - ✓ Ability to know what needs to be done or find out (research) and take steps to get it done. Ask questions when not sure of what the problem is or to gain more information.
  - ✓ Able to identify the underlying or main problem.
  - ✓ Shows willingness to experiment with new things.
  - ✓ Develops a list of decision making guidelines to help arrive at logical solutions.
- ➢ **Managerial Competencies:** Competencies which are considered essential for employees with managerial or supervisory responsibility in any functional area including directors and senior posts, e.g., decision making, leveraging relationships.
- ➢ **Generic Competencies:** Competencies which are considered essential for all employees regardless of their function or level – communication, initiative, listening, etc.
- ➢ **Technical/Functional Competencies :** Specific competencies which are considered essential to perform any job in the organization within a defined technical or functional area of work. E.g.: finance, environmental management, etc.

Competency Mapping is the process of identifying (key) competencies for a particular position (role or task) in an organisation and then using the result for various HR processes including job-evaluation, recruitment, training and development, performance management and succession planning.

Competency Mapping Process

- Competency mapping is a process through which one assesses and determines one's strengths as an individual worker in the context of an organisation.

Steps in Competency Model Building

- Background information about the organisation.

- Decide on the occupation/job position(s) that require competency model(s).

- Discuss the application of the competency model.

- Select a data collection method and plan the approach.

- Organize the collected.

- Identify main themes or patterns, build the model – defining specific behaviour indicators and review the model.

Role of 'Assessment Centers' Method in 'Competency Mapping'

- This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviours across a series of select exercises or work samples.

- Assesses are made to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require specific attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communication, planning and organisational ability, self-confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness, etc.

- **Advantages –** well-conducted assessment center can achieve better forecasts of future performance and progress. Also reliability, content validity and predictive ability are said to be high in assessment centers.

- **Disadvantages –** Costly and time consuming, ratings strongly influenced by assessee's inter-personal skills.

Key Result Areas (KRA)

Key Result Areas are set of activities derived out of short term objectives. KRAs refer to general areas of outcomes or outputs for which the department's role is responsible.

The Performance Plan is constructed by the manager and employee together, focusing on priority-setting for **the performance management cycle and, working co-operatively through a four-step process:**

- ✓ **Agreeing upon Key Results Areas**
- ✓ **Agreeing upon Performance Objectives**
- ✓ **Agreeing upon Key Performance Indicators and their associated Performance Targets**
- ✓ **Agreeing upon Action Plans**

Identifying KRAs helps individuals to:

- ✓ Clarify their roles
- ✓ Align their roles to the organisation's business or strategic plan
- ✓ Focus on results rather than activities
- ✓ Communicate their role's purposes to others
- ✓ Set goals and objectives
- ✓ Prioritize their activities, and therefore, improve their time/work management
- ✓ Make value-added decisions

KRAs deal with results and not with day to day activities and hence more quantitative the KRAs the easier they are to track. So, KRAs help individuals align their day to day activities to overall organisational/project goals in terms of results delivered.

Key Performance Indicators (KPIs)

- In order to measure if the KRAs are achieved, some Key Performance Indicators (KPI) are developed.
- A KPI is a specific, agreed measure of achievement within a KRA, which go on to make up the goals and objectives measured under the performance appraisal process.
- Key characteristics of KPIs are that they are objective, independent and standardized measures of performance, not ratings or judgments of performance. They may be QUANTITATIVE or QUALITATIVE. The measure is activity based rather than outcome based, as these KPIs will often be more suitable to routine repetitive functions.

KPIs are usually Specific, Measurable, Attainable, Realistic and Time-bound (SMART), which help to determine if and how much the KRAs are met. KPIs should be:

- ✓ Quantifiable
- ✓ Quality oriented
- ✓ Time specific
- ✓ Cost effective

Continuous Performance Management

- Continuous Performance Management in a human resource (HR) management context is defined as performance management processes that take place throughout the year on an ongoing basis.
- It is a continual, holistic process, as opposed to those based on a traditional, one-off annual appraisal. As feedback occurs more often, it becomes natural for both the manager and the employee to develop a healthy, trusting and authentic workplace relationship.
- These processes include near-term objectives and goal setting, regular one-to-ones (or"check-ins") and real-time feedback.

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