CAIIB

HRM Capsule

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CAIIB Elective Paper: Human Resource Management

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CAIIB HRM Module A Unit 1- Fundamentals of HRM

Fundamentals

Concepts, Policies and Practices

- **"HRM" is concerned** with the people dimensions in management. It is a series of integrated decisions that form the employment relationships, their quality contributions to the ability of the organisations and the employees to achieve their objectives. This is true, regardless of the type of the organisation – government, business, education, health, recreational, or social action.
- HRM is a management function that helps managers to attract, set expectations and develop members for an organisation. Concerned with the people

dimensions in organisations, HRM refers to a set of programs, functions, and activities designed and carried out for maximum efficiency.

Objectives of HRM

- **Advisory Role:** HRM advises management on the solutions to any problems affecting people, policies and processes in the following manner:
- ✓ **Employment Policies:** Designs the structure and guidelines on Organisation Structure, Social Responsibility, Employment Terms & Conditions, Compensation, Career and Promotion, Training and Development and Employee Relations as well as Retirement.
- ✓ **Procedures:** Lays down SOPs (Standard Operating Procedures) for all activities starting from manpower planning and recruitment to cessation of employment.
- **Functional Role:** The HR functionaries interpret and help to communicate HR policies. Provides guidance to line managers, to ensure that agreed policies are implemented in letter and spirit. The HR department also acts as a mentor and guide to other functional verticals.
- **Service Role:** This requires the HRM department to be the provider of useful information on HRM matters. This is most important in times of change when the organisation needs to make sure that it is up to date with what is happening.
- **Specialist Role:** The demands made on the HR profession over the years has led to the growth of the Functional HR specialist who has developed expertise in one major aspect of the HR function. Thus, over a period of time there emerges functional HR specialists like IR Specialists, HR Analytics, Compensation specialist, Competency Assessment practitioner, PMS expert and the most common, the Recruitment specialist.

Managerial Functions of HRM

- **Planning:** Planning is a pre-determined future course of action to achieve the desired results. Planning function involves – Plan and research about best employee practices, wage trends, labour market conditions and ensure right talent for right position by forecasting manpower needs for optimum efficiency.
- **Organizing**: Organising is a process by which a group of human beings allocates the tasks among its members, identifies relationships and integrates the activities towards achieving common goal. Given this concept to organizing, the function of Organising encompasses – Allocation of resources and authority & responsibility to achieve the organizational goals and objectives.
- **Staffing**: Organisation process results in the creation of a structure with various positions. Staffing is a process by which the various functional departments are optimally employed by cost effective Recruitment and Selection, to attract not the best employee but the best fit.

- **Directing:** Directing is a process of leading, supervising and guiding the personnel and activities of the organisation. This function involves various tasks like laying down policies, providing guidance and motivation of employees for optimum efficiency.

- **Controlling:** Controlling is an activity of regulating, checking and verifying whether everything is in conformity with the laid down plans and objectives. It facilitates to know whether the actual performance is in conformity with the planned one so that in the event of deviations, appropriate corrective measures can be taken.

Operational Functions of HRM

- **Procurement:** HR Planning, Recruitment and Selection, Induction and Placement.
- **Development:** Training, Skill Development, Career Planning and Mentoring, Counseling.
- **Compensation:** Wage and Salary determination and administration.
- **Integration:** Integration of human resources and its values with organization
- **Maintenance:** Sustaining and improving working conditions, motivation, employee communication.

Developmental Functions of HRM

- **Retention Management:** To ensure that the key talents are attached to the organisation for a reasonable period and also to ensure filling up the slots timely so as not to hamper business continuity plans.
- **Counselling or Advisory Management:** Providing expert advice and preventive counselling for all levels of employees for maintaining a healthier work environment.
- **Change Management:** HR is often called on to manage change whether initiated internal subsequent to some restructuring as also when mergers/acquisitions take place.
- **Employee Engagement:** To ensure that the employees are fully engaged in their given jobs and to enhance their morale levels and loyalty levels.
- **Attrition/Turnover Management:** To reduce the attrition rate, find the reasons for attrition/ tunover and minimise the impact of separations caused by resignations, terminations, layoffs, death, medical reasons etc.
- **Talent Management:** To ensure that the required talents are hired, developed and retained through progressive career plans and employee-benefits schemes/plans.

Employee Policies

- It is a set of rules or guidelines for the organization and employees to follow in order to achieve a specific goal. An effective policy should outline what employees must do or not **do, directions, limits, principles, and guidance for decision making.**
- A Policy is a Plan of Action. An employee policy spells out the Vision of the Management, addresses basic needs of the employees and helps ensure a consistent treatment to all personnel by minimising favouritism and discrimination. These policies are also plans of action to resolve intra-personal, interpersonal and inter-group conflicts.

- A well thought out and a well-defined policy helps manage the human resources effectively. Ideally, such policies should evolve over a period of time.

Human Resource Accounting

- The Human Resources Accounting which has been introduced by a number of leading corporates internationally as also in India take into account the cost of human resources, their potential value to the company as also a replacement cost when good talent leaves.
- Human Resource Accounting is defined as 'accounting for people as an organisational resource. It involves measuring the costs incurred by organisations to recruit, select, hire, train, and develop human assets. It also involves measuring the economic value of people to the organisation'.

HRM and Management of Transformation

- In the ever-changing business environment as of today, changes in the outside world have made the need to consider the environment more important than ever. The external environment of an organisation is a subject of increasing interest and challenge for today's managers.
- An accurate assessment of the future opportunities and threats is crucial to the success of any organisation. Further, effectiveness of the business organisation lies in converting the threats into opportunities. Political, Economic, Socio-cultural and Technological changes, etc., in the environment are so extensive and frequent which affect any or all activities in the organisations.
- **'Organisational Change'** is the modification in any or all the internal environment of the organisation like organisation's structure, technology, physical settings and human resources. **Human Resources Management (HRM) is in a state of great upheaval and constant change**

Key HRM Practices in Indian Organisations

HRM Practice	Observable Features
Job Description	Percentage of employees with formally defined work roles is very high.
Recruitment	Strong dependence on formal labour market. Direct recruitment from institutions of higher learning is very common amongst management, engineering and similar professional cadres. Amongst other vehicles, placement agencies, internet and print media are the most popular mediums for recruitment.
Compensation	Strong emphasis on security and lifetime employment in public sector including range of facilities like, healthcare, housing and schooling for children.
Training and Development	Poorly institutionalised in Indian organisations. Popularity of training programmes and their effect in skill and value development is unrecognized/obscure.
Performance Appraisal	A very low coverage of employees under formal performance appraisal and rewards or organisational goals.
Promotion and Reward	Moderately variable across industries. Seniority system still dominate the public sector enterprises. Use of merit and performance limited mostly to globally orientated industries.
Career Planning	Limited in scope. The seniority based escalator system in the public sector provides stability and progression in career. Widespread acceptance of voluntary retirement scheme in public sector by high performing staff. Cross functional career paths are uncommon.
Gender Equity	Driven by proactive court rulings, ILO guidelines and legislature provisions. Lack of strategic and inclusion vision spread.
Reservation System	The Central Government has fixed 15 per cent reservations for scheduled castes, 7.5 per cent for scheduled tribes and 27 per cent for other backward classes. States vary in their reservation systems.

New Insights Into HR Management

Contemporary Issues in Indian HRM

- Growing internationalization of business has its impact on HRM **in terms of problems of unfamiliar laws, languages, practices, competition, attitudes, management styles, work ethics and more.**
- Employee expectations and attitudes have also changed; traditional allurements like job security, house, and terminal benefits are less attractive today; employees now demand high cash compensation, empowerment and a high degree of freedom to operate. HR is required to redesign the profile of workers, and discover new methods of hiring, training, remunerating and motivating employees
- In today's dynamic world, even unions have understood that strikes and militancy have lost their relevance; trade union membership has fallen drastically worldwide and the future of labour movement is in danger. HR has to adopt a proactive industrial relations approach and be prepared to renegotiate bargainable rights.
- The HR manager's focus on people has to be justified and sustainable. Managers who demand decision-making, bossism, and operational freedom have to realign their roles in enhancing organisational and people capabilities.
- The role of women employees in overall organisational productivity is increasing day by day. Many organisations have reserved certain percentage of women employees in the organisation in order to ensure gender equity.
- It has been observed that new employees remain loyal as long as they are comfortable with compensation and have job satisfaction.

Moonlighting

- It means taking up a second job or multiple other work assignments apart from one's fulltime job. This topic comes in light, especially, in IT industries, where employees took other jobs, during after COVID-19, while working on '**Work-from-home' model. This is also termed as Dual Employment**.
- The concerns about this emerging concept are data confidentiality breaches, loss of productivity, reduced employee engagement at workplace etc. Several Tech companies fired many employees engaged in moonlighting. Many other companies have cautioned their employees and raised their concerns on this, calling it an unethical trend.

Current Research

The World Competitiveness Report has noted HR capabilities in India as comparatively weaker as against other Asian nations. **One reason for this lack of professionalism could be that India has three types of firms:**

- ✓ Indian firms with a global outlook.
- ✓ Global firms seeking to adapt to Indian context.
- ✓ The home-grown private and public sector undertakings with their own outdated HR approach.

Add to this, regional variation in types of industry size, business and culture The number of unemployed school graduates, those who leave jobs at an early stage are increasing among the young. *Factors behind this problem include the following:*

- ✓ Significant decrease in job openings.
- ✓ Increase in young workers who are unable to set goals for the future.
- ✓ Education, employee training and employment systems that have not adapted to economic and social structural changes.

Relationship between HRM, PM, HRD

- **Human Resource Development (HRD) is an approach to people management**. Setting expectations before a carefully selected individual, providing development tools and assessing performance as part of the performance management system, led to a structured career and succession planning, leading to growth for the individuals as well as the organisation.
- **In Banks**, the Staff Department which was christened as the Personnel Department continued to function till the late 80s. It was in some of the foreign banks that the designation slowly started to change to the HR department and the Manager/Officers of the Department had the nomenclature of Relationship Managers.
- The departments with which a particular officer interacted became the customers of that HR Relationship Manager. Having regard to these contemporary approaches being followed in New-generation banks and foreign banks, in order to keep pace with this transformation, the Public Sector Banks and old-generation private banks have re-designated **the 'Personnel**

Department' into **'HR Department'** with simultaneous change in the designation of **'Personnel Officers' into 'HR Officers'.**

Role of the HRD Professional

- While most HR professionals are required to perform routine activities, the HR head has to work with the management to develop a plan that would support a specific business strategy. Thus, he/she would advise the management as to how to bring about change, develop an incentive scheme that will make compensation structure most competitive in the industry and provide expert professional advice for optimal use of the human resources available.
- His/Her first role would be to put in place a clear organisational structure, then develop an internal competitive environment and establish a very clear line of communication so as to result in coordination and cooperation between business units as well as the various tiers of management.

The traditional HR approach includes the following as major responsibility areas for the HR head:

- ✓ **Planning** – includes projections and planning for the skilled matrix of manpower required for the future organisation.
- ✓ **Staffing** – providing the competency matrix required to face future challenges
- ✓ **Employee development –** identify cost effective and modern methods of training for skill and competency development.
- ✓ **Performance Management –** developing an entire gamut of performance linked measures to align individual performance to the overall corporate performance.
- ✓ **Employee Rewards –** with the pronounced emphasis on Pay for Performance, develop an incentive scheme that would reduce fixed costs while at the same time being motivating enough to induce best performance from an employee.
- ✓ **Maintaining Quality of Work Life and Discipline –** with the impact of global workforce it is necessary to develop a linked work-life discipline for all employees in the organisation.

Responsibilities and Tasks

Human Resource Planning

- Develop, monitor use and update policies in line with the Company's strategic objective.
- It is a process to forecast the requirement of Human resources. It is planning of right number of people at right place and at right time.
- It ensures the continuous supply of human resources in alignment with the company's strategic objectives.

Recruitment and selection

- According to Edwin Flippo, "Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization."
- Selection is the process of differentiating between applicants in order to identify and hire the most suitable candidate for the job.

Performance Management

- Review performance processes and evaluate performance to ensure that the tasks performed are in line with the Company's strategy.
- Put in place measurement systems for periodic reviews and correction.

Training and Development

- Design a comprehensive training plan for the organisation.
- Implement the staff career development plans annually.

Compensation and Rewards

- Develop and implement a competitive remuneration strategy, updated annually, based on current best incentive practices.
- Design an Incentive plan to link rewards to performance.

Maintaining Quality of Work life and Discipline

- Develop and implement a healthy retention strategy
- Continually monitor statutory compliance
- Ensure methods for creative work-life balance.

Building an Employment Brand: Responsibilities of an HR Executive

HR head wishing to convey focused messages about the attribute and values of products uses and promotes branded components (say of service conditions) whose own image reinforces the desired attributes and values. As for banks, many in the clerical cadre (especially women employees) joined because bank jobs were easy to perform and were considered fairly remunerative as well. Now, in a more competitive environment, this image also needs to undergo a major change.

Having a brand image as a good employer will help them:

- Keep ahead in the talent war
- Attract and induce the right kind of people the organisation is looking for
- Enhance their ability to get quality resumes to choose from
- Retain their existing employee pool
- Subsequently see a dip in employee turnover

The HR Head in the Indian Banking Industry

Some of the developmental roles need to own and perform by HR Head, are:

- **Under the Talent Acquisition function of HR Head:** he/she should develop a recruitment roadmap to continuously attract high-quality talent. He/She should

position the organisation as an employer of choice. It should build futuristic recruitment processes and systems to create industry differentiators.

- **Under the Organisational Development role:** HR Head should work towards championing developmental HR. Under this function, the tasks of HR encompass – designing and managing the performance management landscape, competency management, career planning, designing interventions aimed at increasing employee engagement, process improvements and job evaluations, etc.
- **Under role as an effective leader,** HR head should act as an internal consultant in the organisation and will also interface with external experts, in order to build knowledge in new areas. He/she will determine the implementation strategies for structure and process interventions that can lead to organisational effectiveness.
- **Under the role as a Business Partner**, the HR Head should perform the roles of strategic business partner, employee champion and change agent. He/she should lead the HR function of the organisation to establish, manage and develop HR in alignment with the organisational business strategy, within the framework of the organisation's philosophy, objectives and policies.

New Roles of HR Managers in Banks

- **Counselor**: Consultations to employees about personal, health, mental, physical and career problems. A friend and career advisor to employees in the time of promotions, transfers as well as lateral movements.
- **Mediator**: Playing the role of a peacemaker during disputes, conflicts between individuals and groups and management. Display proficiency in union handling.
- **Problem Solver:** Solving problems related to engagement of human resources and long-term organisational planning.
- **Change Agent:** Introducing and implementing institutional changes and installing organisational development programs; most critical in PSU banks where major transformations take place due to increased use of technology.
- **Management of Manpower Resources:** Concerned with people management at various levels– individual level and group level and organizational level.

Qualities and Traits of a Successful HR Professional

- **Should possess good leadership traits.**
- **They should be known for their honesty, integrity, sincerity, fearlessness and a sense of balance and justice.**
- **Must have the ability to understand human psychology**. He/She should be humane and skilled in human relations. They should possess good and effective communication skills.
- **Should be of positive mindset and provide good growth opportunities to people** and encourage them to take up higher positions and responsibilities and also to provide required motivation for their development.
- **Should have passion for anonymity**. They should be broad-minded and pass on the credit to the subordinates and superiors in case of success and to own up responsibility of failures not only of self but of their subordinates.

- **Should have high level of intelligence and knowledge.**

Ethics in Human Resource Management (HRM)

- Corporate Social Responsibility (CSR) practices in human resource management include valuing human capital, providing safe and healthy workplace and congenial work-life balance; embracing diversity in human resources and continual skill development for all employees. An organisation can chose to extend ethical human resource management practices by ensuring that they only work with suppliers/customers who value the same human resource ideals.
- Ethics in HRM basically deal with the affirmative moral obligations of the employer towards employees to maintain equality and equity justice. Treating employees ethically can garner long-term employee trust and loyalty, which conveys a range of distinct advantages to employers. Loyal employees gain more experience and prosper with the organisation in terms of their rich experience and expertise.

Ethical Issues in HRM Function

- **Compensation issues:** The HR function is often presumed to justify a higher level of base salaries, or a higher percentage increase than what competitive practice calls for.
- **Incentive plans :-** The HR Manager may be forced to design and administer top-management incentive plans, at higher rates than what the individuals deserve. As far as Banks are concerned, generally, each bank will have Board approved incentive plans and as such, the scope for arising ethical issues on this score is very minimal.
- **Perquisites :-** Executive perquisites may sometimes raise ethical dilemma for the HR executive because their cost is often out of proportion to the value added.
- **Performance Appraisals :-** Ethics should be the cornerstone of performance evaluation, and the overall objective of high ethical performance reviews should be to provide an honest assessment of the performance and mutually develop a plan to improve the work effectiveness. For this purpose, a well-defined Performance Appraisal System based solely on measurable traits/quantitative parameters should be evolved in respect of every cadre of employees, without scope for ethical issues on this score.
- **Diversity issues:-** A framework of laws and regulations are evolved in India that has significantly improved workplace behavior. Most of the organisations believe in treating their employees equally irrespective of their demographic variables.
- **Recruitment & Promotion Issues:-**'Recruitment and Promotion' is a potential area where ethical challenges may arise since it may have grey areas which are based on judgment of the recruiters or promoters. While organisations are vocal about anti-discrimination and anti-harassment policies, HR functionaries are more likely to face ethical dilemmas in the areas of employee hiring.

- **Confidentiality/Privacy:-** Privacy issues pertain to protecting a person's personal life from intrusive and unwarranted actions. Exceptions are permitted only when such issues are specifically permitted under Right to Information Act.

CAIIB HRM Module A Unit 2- Organisational Behaviour

Organizational Behaviour

- As defined by **Kossen**, 'an organisation is a group of individuals co-ordinated into different levels of authority and segments of specialization for the purpose of achieving the goals and objectives of the organisation.'
- This definition to the concept of 'organisation' reveals that organisation is a group of individuals and as such individual and group dynamics are core to the organisation and the study of '**Organisational Behaviour'**. Organizational behavior (OB) is the study of how individuals, groups, and organizations interact and influence one another.

Behavioural Dynamics In Organisations

Organisation Charts

- An organisation chart is a simple and understandable representation of the formal organisation structure. It is a formal record of the chain of command, along with titles assigned to the various individuals in the organisation.
- The organisation chart well drawn, can give an insight in to the organisation's philosophy, its hierarchical structure, line and staff authority, authority and responsibility levels, chain of command, line of delegated authority, decentralisation or otherwise in an organisation as well as span of control.

Organisation charts can be divided into

- ✓ **Master chats and**
- ✓ **Supplementary charts**.

The master chart shows the entire formal organisation structure, and the supplementary charts shows details of relationships, authority and the job-roles within the prescribed area of a department or major component of the organisation.

Formal and Informal Organisations

- An organisation is said to be a **formal organisation** when two or more than two persons come together to accomplish a common objective, and where, formal relationships, rules, and policies are established for compliance, and there exists a system of authority.
- On the other end, there is an **Informal organisation** which is formed under the formal organisation as a system of social relationship, which comes into existence when people in an organisation, meet, interact and associate with each other.
- The intention to clearly define the structure and roles in a formal and organised manner, leads to an enterprise that is a formal organisation. The informal group in an organisation is the network of personal and social relationships unrelated to the firm's formal authority structure. These informal units can make the

formal organisation more effective by providing **support to management, stability to the environment, and become important communication channels.**

Matrix Structure

- In a matrix organisation, teams are formed and team members report to two or more managers. A matrix design is the result of combining a project design with a functional structure. It helps to achieve economies of scale.
- In this structure, there will be several communication channels for transmitting decisions. This is considered to be a well-balanced structure of organisation.
- In this structure, the person right at the top of the structure is responsible for the success of the project. The line and staff officers can provide support according to the requirements of the project. Once a project is completed, the persons involved will be drawn back to their original jobs, thus, ensuring optimal use of personnel and enhanced productivity. This form is ideally suited for companies, such as constructions that are project-driven.

Advantage

- ✓ This form of organization retains the expertise and management skills of functional managers while executing the project. The expertise available can be applied in a most flexible and efficient manner to benefit a number of projects.
- ✓ Matrix project organization is a fascinating arrangement for the highly skilled professionals who want to work on new and challenging projects.
- ✓ The project manager can devote his/her time towards complex issues of the project and coordinate various tasks and priorities of the organization without being distracted by any other details of project implementation.
- ✓ Policies and procedures can be set up independently for each project provided that they do not contradict company policies and procedures.
- ✓ A strong technical base can be developed and more time can be devoted to complex problem-solving. Knowledge is available for all projects on an equal basis.

Disadvantage

- ✓ Each project unit operates independently.
- ✓ Functional managers may be biased according to their own set of priorities.
- ✓ People do not feel that they have any control when continuously reporting to multiple managers.
- ✓ Dual line of command can cause delay in decision-making and may create conflicts also.
- ✓ Difficulty in monitoring and controlling.

Divisional Structure

- In a divisional organisation, corporate divisions operate as relatively autonomous businesses under the larger corporate umbrella.

- Made up of self-contained strategic business units each of which produces a single product, the controlling authority focuses on results, coordinates and controls the activities, and provides support services between divisions.
- Functional departments achieve division goals. A weakness however, is the tendency to duplicate activities among divisions.

Organic and Mechanistic Structure

- Organic organisations have a flat structure with only one or two levels of management, emphasizing a decentralised approach to management that encourages high employee involvement in decision making.
- This structure creates independent small businesses or enterprises that can rapidly respond to customers' needs or changes in the business environment.

Functional Structure

- Functional structures group similar or related occupational specialties or processes together under the familiar headings of finance, manufacturing, marketing, accounts receivable, research, human resources, etc.
- However, in this type of organisations, there is an avoidable risk of losing sight of its overall interests as different departments pursue their own goals.

The Person – Job Fit

- Most HR Managers would like to profess that their ultimate aim is to provide the right man for the right job, in other words, the perfect job fit.
- Basic orientation training and extensive skill upgradation at frequent intervals during work-life of the individual in the organisation and the clear focus of individual skills, knowledge and attitudes vis-à-vis various job-roles are key to ensure a perfect job-man fit in the organisations.
- The contemporary method of learning forum is **'Assessment/Development Centres'**. This method is used for higher learning especially to those who are required to handle higher echelons in the organisation. Assessment/Development Centers are batteries of simulations of work challenges that participants are likely to face in future roles.
- Common job simulations used in assessment centres are: In-basket exercises, Group discussions, Simulations of interviews with **"subordinates" or "clients"**, Fact-finding exercises, Analysis/decision making problems, Oral presentation exercises, Written communication exercises.

Group Dynamics

- Group dynamics refers to the attitudinal and behavioural characteristics of a group and is concerned with how groups form, their structure and process, and how they function. Group dynamics is relevant in both formal and informal groups of all types.
- In an organisational setting, groups are a very common organisational entity and the study of groups and group dynamics is an important area of study in organisational behavior.

Group vs Team

Dimensions	Group	Team
Definition	Group is defined as two or more persons come together based on task, activities, interests etc.	Team is defined as two or more persons come together to achieve the goal/ perform the task/ project.
Goal	May/May not share a common goal	Share a common goal
Dependency	Independent	Interdependent
Nature	May/May not be formal in nature	Formal in nature
Focus	Focus is on achieving **individual goals**	Focus is on achieving **collective goals**

Group Development

- Group dynamics is concerned with why and how groups develop. There are several theories as to why groups develop. A classic theory, developed by **George Homans**, **suggests that groups develop based on activities, interactions, and sentiments**.
- Basically, the theory means that when individuals share common activities, they will have more interaction and will develop attitudes (positive or negative) toward each other. The major element in this theory is the interaction of the individuals involved.

Social exchange theory:

- ✓ Individuals form relationships based on the implicit expectation of mutually beneficial exchanges based on trust and felt obligation. Thus, a perception that exchange of relationships will be positive is essential if individuals are to be attracted to and affiliate with a group.

Social identity theory:

- ✓ It suggests that individuals get a sense of identity and self-esteem based upon their membership in salient groups.

According to Tuckman's theory, there are five stages of group development:

i)Forming,

ii)Storming,

iii)Norming,

iv)Performing, and

v)Adjourning.

Group Types

One common way to classify group is by whether they are formal or informal in nature. Formal work groups are established by an organisation to achieve organisational goals. **Formal groups may take the form of command groups, task groups, and functional groups.**

- **Command groups:** Command groups which are often called as 'Permanent work groups', are specified by the organisational chart and often consist of a supervisor and the subordinates that report to that supervisor.
- **Task groups or 'temporary work groups':** are created for a specific purpose – to solve a specific problem or to perform a defined task and typically disband once that purpose is accomplished. **Task groups consist of people who work together to achieve a common task.**
- **Functional group:** It is created by the organisation to accomplish specific goals within an unspecified time frame.

Three common types of informal groups are 'Friendship groups', 'interest groups' and 'reference groups'.

- **Friendship groups:** are formed by members who enjoy similar social activities, political beliefs, religious values, or other common bonds. Members enjoy each other's company and often meet after work to participate in these activities.
- **Reference group:** is a type of group that people use to evaluate themselves. According to Cherrington, the main purposes of reference groups are social validation and social comparison. **Social validation** allows individuals to justify their attitudes and values while **social comparison** helps individuals evaluate their own actions by comparing themselves to others.
- **Interest group:** consists of persons who share common interests; they may be job-related interests, such as an intense desire to learn more about computers and non-work interests such as community service, sports or religion.

Group Structure:

Group structure is a pattern of relationships among members that hold the group together and help it achieve assigned goals. Structure can be described in a variety of ways. Among the more common considerations are group size, group roles, group norms, and group cohesiveness.

Group Size:

- Group size can vary from 2 people to a very large number of people. Small groups of two to ten are thought to be more effective because each member has ample opportunity to participate and become actively involved in the group. Large groups may waste time by deciding on processes and trying to decide who should participate next.
- This includes a concern for **'Social loafing'** which is also called **'Ringlemann effect'**.

It acknowledges that people may tend not to work as hard in groups as they would individually for two reasons:

i)Their contribution is less noticeable, and

ii)They prefer to see others carry the work load.

Group Roles:

- In formal groups, roles are usually predetermined and assigned to members. Each role will have specific responsibilities and duties. Group roles can then be classified into work roles, maintenance roles, and blocking roles.

Group Norms:

- Norms are acceptable standards of behavior within a group that are shared by the members of the group. Norms define the boundaries of acceptable and unacceptable behavior.
- They are typically created in order to facilitate group survival, make behavior more predictable, avoid embarrassing situations, and express the values of the group.

Group Cohesiveness:

- Cohesiveness refers to the bonding of group members and their desire to remain part of the group. Cohesiveness in work groups has many positive effects, including worker satisfaction, low turnover and absenteeism, and higher productivity.

Group Effectiveness

Group effectiveness is the capacity a group has to accomplish the goals or objectives administered by **an authorized personnel or the organisation**. The measures of effectiveness of group depends largely on the characteristics of a group and its activities which are as under:

- ✓ **Productivity**
- ✓ **Satisfaction and attitudes**
- ✓ **Attendance**
- ✓ **Retention**
- ✓ **Learning and adaption**
- ✓ **Physical and mental well-being**

Leadership

- **According to Stephen P. Robbins and Timothy,** "leadership is a process and the ability to influence a group toward the achievement of a vision, set and attends to a common goal within its group context".
- leadership skills can be innate in person and they can also be acquired, and honed. But then leadership actually differs from management skills in a number of ways.
- ✓ **Management involves planning and budgeting. Leadership involves setting direction.**
- ✓ **Management involves organizing and staffing. Leadership involves aligning people.**
- ✓ **Management provides control and solve problems. Leadership provides motivation.**

Leader vs Manager

Dimensions	Leader	Manager
Definition	A leader is the one in the charge, the person who convinces other people to follow	Managers are defined as the who get the work done from others in the organization
Source of Motivation	Leaders' goals arise from self-motivation.	Managerial goals arise out of necessities rather than desires
Risk	Leaders take risk	Managers control risk
Nature	Leaders, tolerate chaos and lack of structure and are willing to delay closure in order to understand the issues more fully	Managers embrace process, seek stability and control, and instinctively try to resolve problems quickly
Nature	Leadership is qualitative	Management is quantitative

The Six Leadership Styles by Goleman

The 6 leadership styles given by Goleman, their origin, when they work best, and their impact on an organisation's climate and thus, its performance.

Leadership Style	Coercive	Authoritative	Affiliative	Democratic	Pacesetting	Coaching
The leader's modus operandi	Demands immediate compliance	Mobilizes people towards a vision	Creates harmony and builds emotional bonds	Forges consensus through participation	Set high standards for performance	Develops people for the future
The style in a phrase	"Do what I tell you."	"Come with me."	"People come first."	"What do you think?"	"Do as I do, now."	"Try this."
Underlying emotional intelligence competencies	Drive to achieve, initiative, self-control	Self-confidence, empathy, change catalyst	Empathy, building relationships, communication	Collaboration, team leadership, communication	Conscientiousness, drive to achieve, initiative	Developing others, empathy, self-awareness
When the style works best	In a crisis, to kick start a turnaround, or with problem employees	When changes require a new vision, or when a clear direction is needed	To heal rifts in a team or to motivate people during stressful circumstances	To build buy-in consensus, or get input from employees	To get quick results from a highly motivated and competent team	To help an employee improve performance or develop long-term strengths

Situational Leadership Theory

- **This theory was propounded by Hershey and Blanchard** in 1969 as Life cycle theory of leadership. Later on, this theory was named as Situational Leadership Theory.
- This theory says that one leadership style does not fit in all the situations. Leaders have to modify their styles according to the **followers' willingness and ability**. Willingness refers to intention and motivation to do the job task, whereas, ability refers to required skills and knowledge to perform the task at workplace. There are four types of employees based on the willingness and ability.
- ✓ **Low willingness, Low ability:** employees having low intentions and low skills and knowledge to perform the task. Such employees need specific instructions and constant supervision.
- ✓ **High willingness, Low ability:** such employees have intentions and confidence to perform the task but they are not having the required ability. The performance of such employees can be enhanced by providing training and guidance.

- ✓ **Low willingness, High ability:** employees in this category have the required skills to perform the task but lacks willingness. Leaders need to inculcate interest in such employees by assigning job role according to their interest, assigning goals that are relative to their personal goals and implementing the incentive policy.
- ✓ **High willingness, High ability:** employees, high in willingness and ability, prove to be assets for the organization. They do not need specific instructions and much supervision. They are self-motivated. Leaders should work on to retain such employees by providing relative incentives and benefits.

Accordingly, this theory suggests four leadership styles:

- ✓ **Telling Style:** this style is characterized by high task guidance, low-relationship style where the leader gives explicit directions and closely supervises the employees' performance. This style is usually followed for employees who are low in willingness and low in ability.
- ✓ **Selling Style:** this style is characterized by high task guidance behavior, as well as supportive behaviour. This type of leadership style is usually followed for employees high in willingness and low in ability, as such employees are self-motivated but lack of required ability.
- ✓ **Participating Style:** this leadership style provides opportunities to employees to participate in exchange of ideas and decision-making. This is done to impart the willingness in employees having required skills and abilities. Hence, this leadership style is suitable for employees high in ability and low in willingness
- ✓ **Delegating Style:** Delegating means assigning the work and responsibilities to the employees who deserve the same. This is suitable for employees who are high in ability and high in willingness.

Managerial Grid' Theory of Leadership

Managerial Grid' Theory of leadership is developed by Blake and Mouton. They emphasize that leadership style consists of factors of both the task-oriented and relation-oriented behaviour in varying degrees. **The grid depicted two dimensions of leader behavior, concern for people** on y-axis and **concern for production** on x-axis.

Blake & Mouton have described the five leadership styles as follows:

- **(1,1) (improverished) –** Leader has minimum concern for production and people- Laissez Faire leadership
- **(9,1) (Task-oriented) –** Leader having less concern for people and more concern for production – Autocratic Leadership style
- **(1,9) (Country Club) –** Leader having less concern for work and more concern for people – People oriented leadership style.
- **(9,9) (Team Builder) –** Leader having high concern for production as well as people – Team building leadership style.
- **(5,5) (Middle Path) –** Leader having adequate performance through balance of work requirements and maintaining satisfactory morale.

Some Contemporary Approaches To Leadership

Whether to Lead from Front, Back or Center?

There has been a modern thought which advocates that 'Leader should lead from the back' on the theme that – 'Being a leader is not about being in front but it is about taking care of his/her team'. If the leader wishes to lead from behind, he/she should ensure to adhere the following:

- **Set goals and parameters:** 'Leading from behind' is still active leadership which shapes organisation's culture and drives change. To lead from behind, leader need to build a strong team that is united by shared values and goals. The leader need to make the group's goal clear, whether that's developing a new product or overcoming a problem the organisation is facing.
- **Enable innovation:** The goal is to enable the team members to emerge as innovators and leaders themselves. When leading from behind, leader should provide support and inspiration. Leader should create opportunities for learning and growth, such as workshops and a collaborative work environment, and reward new ideas.
- **Step forward in key moments:** While leading from behind often means playing a supporting role, there are times when it's necessary to step forward. This is the particularly the case if you notice your team veering off-track.

Be Dynamic and Constantly Adapt to Change

- Leaders and people employed therein is that to find and focus on inventing and creating the best suited solution to meet these emerging challenges resolutely with timeliness.

Strategic Leadership

The more uncertain your environment, the greater the opportunity—if you have the leadership skills to capitalize on it.

A research at the Wharton School and at the authors' consulting firm, involving more than 20,000 executives, had identified six skills that, when mastered allow leaders to think strategically and navigate the unknown effectively. They are the abilities to:

- ✓ **Anticipate**
- ✓ **Challenge**
- ✓ **Interpret**
- ✓ **Decide**
- ✓ **Align**
- ✓ **Learn**

Transformational Leadership

It is a leadership style in which leaders encourage, inspire and motivate employees to innovate and create change that will help grow and shape the future success of the company. This is accomplished by setting an example at the executive level through a

strong sense of corporate culture, employee ownership and independence in the workplace.

Four Factors of 'Transformational Leadership'

- **Inspirational Motivation –** A transformational leader should inspire people to move in the right direction. Even when the leader is not present himself, his people should be motivated and inspired in their professional and personal life to follow the leader and to do the right things. Inspirational motivation describes leaders who motivate associates to commit to the vision of the organisation.
- **Intellectual simulation –** It describes leaders who encourage innovation and creativity through challenging the normal beliefs or views of a group. Leaders with intellectual stimulation – constantly innovative, challenges subordinate to be innovative and creative, promote competitiveness, critical thinking and problem solving in an effort to make the organisation better.
- **Idealized influence –** It describes leaders who are exemplary role models for associates. Leaders with idealized influence – drive the subordinates towards purpose, they actually 'walk the talk', can be trusted and respected by associates to make good decisions for the organisation.
- **Individualized consideration –** It describes leaders who act as coaches and advisors to the associates. Leaders with individual consideration - are 'people' driven, genuine concern for needs of subordinates, encourage associates to reach goals that help both the associates and the organisation.

Qualities of a 'Transformational Leader'

- Encourages the motivation and positive attitudes and a culture of development among subordinates.

- Exemplifies moral standards within the organisation and encourages others for the same.

- Fosters an ethical work environment with clear values, priorities and standards.

- Builds organisation culture by encouraging employees to move from an attitude of self-interest to a mindset where they are working for the common good.

- Holds an emphasis on trust, authenticity, cooperation and open communication.

- Empowers followers to do what is best for the organisation.

- Trusts the followers and allows the followers the required freedom.

- Strong role model with high values.

- Listens to all viewpoints to develop a spirit of cooperation.

- Creates a vision, using people in the organisation.

- Acts as a change agent within the organisation by setting an example of how to initiate and implement change.

- Helps the organisation by developing other's contribution to the organisation.

- Focuses on turning followers/subordinates into future leaders.

Transactional vs. Transformational Leadership

- **Transactional Leadership** heavily relies on motivating employees through rewards and punishments. It requires supervision, oversight, and performance-monitoring. This leadership model doesn't try to innovate. Instead, it's rooted in keeping things consistent and predictable over time. Errors and faults are closely investigated, and the overall goal is to create efficient, routine procedures. This style is best suited to departments or organisations that require routine and structured areas where businesses want to reduce chaos or inefficiency.

- **Whereas Transformational leadership**, on the other hand, supports agile environments. Conscious effort must be made to adopt a transformational style. Transformational leadership is a vital role for effective leaders because leader effectiveness determines the ultimate success of the organisation.

Human Resource Implications Of Benchmarking

Benchmarking

- 'Benchmarking' is the process of comparing the business processes and performance metrics including cost, cycle time, productivity, or quality to another that is widely considered to be an industry leader and hence considered as the standard benchmark or best practice. Benchmarking helps to compare and understand where a given business is in relation to the recognized standard.

Types of Benchmarking

- It includes process benchmarking, financial benchmarking, performance benchmarking, product benchmarking, functional benchmarking, best-in-class benchmarking, operational benchmarking.

Latest Initiatives by Major Indian Banks on Technology / Automation Front

SBI takes lead in blockchain, to use it to prevent fraud

- The SBI's initiative, christened Bankchain, is in partnership with IBM, Microsoft, Skylark, KPMG and 10 commercial banks. The country's largest lender has also tied up with a startup firm Prime chain Technologies for this exercise. Bankers said that digitially signed documents that are part of consortium lending and which have to be shared can be put up as a block so that they will be known to all members.

New initiatives on technology/automation by Bank of Baroda

- Bank of Baroda announced several new initiatives on the occasion of its 110th Foundation Day on 20 July 2017. The bank is introducing new products like Baroda E-Business Pack for MSME customers for availing overdraft/demand loan/term loan and composite loan, Baroda Champs saving account which is aimed at children below 17 years of age and paperless pre-approved digital

personal loans which are transferred instantly through net banking and mobile banking apps.

Quality Initiatives In Organisations

Total Quality Management (TQM)

- TQM is defined both a philosophy and a set of guiding principles that represent the foundation of a continuously improving organisation.
- It is the application of quantitative methods and human resources to improve all the processes within an organisation and exceed customer needs now and in the future.
- It integrates fundamental management techniques, existing improvement efforts, and technical tools under a disciplined approach.

Principles (Pillars) of TQM

- A committed and involved management to provide long-term top-to-bottom organisational support.
- An unwavering focus on the customer, both internally and externally.
- Effective involvement and utilization of the team work.
- Continuous improvement of the business and production.
- Benchmarking
- Treating suppliers as their business colleagues.
- Establish performance measures for the processes.
- Involvement of employees in decision-making
- TQM as a Large Scale Systems Change, is seen primarily as a change in an organisation's technology and its way of doing work. In the human services, this means the way client servicing is processed, the service delivery methods applied to them and ancillary organisational processes such as paperwork, procurement processes, and other procedures. TQM also brings about a change in an organisation's culture, its norms, values, and belief systems about how organisations function.

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TQM- Sources of Resistance

- Implementation of large scale change such as TQM will inevitably face resistance, which should be addressed directly by change agents. Historical worker antipathy to the use of statistics and data in the human services may carry over into views of TQM, which encourages the gathering and analysis of data on service quality.
- For many traditional managers, this transition will require training, self-reflection, and time as well as assurances from higher management that they are not in danger of being replaced.
- There are several tactics which can be helpful in dealing with resistance to TQM implementation. Generally, they have to do with acknowledging legitimate resistance and changing tactics based on it, using effective leadership to enroll people in the vision of TQM, and using employee participation.

Relevance of TQM in Banking Industry

- Banking industry caters to the needs of the vivid categories of people in the society. The service quality of commercial banks plays a dominant role in its success story. Providing the best service quality is viewed as the pre-requisite for the success in banks.
- Since the institutional performance largely depends on quality of service rendered to the customers at large, the total quality service is an imperative need. High quality in customer service creates synergies and value creation for banks. Therefore, in banking industry, high customer value has become a source of competitive advantage.
- Therefore, commercial banks have employed creative business platforms like Total Quality Management (TQM) for mammoth value creation for their sustainability in the severe competition.

Business Process Reengineering (BPR)

- **Business Process Reengineering (BPR)** is one approach for redesigning the way work is done to better support the organisation's business goals and improve efficiency on all parameters.
- **"Reengineering** is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed".
- BPR focuses on processes and not on tasks, jobs or people. Reengineering starts with a high-level assessment of the organisation's mission, strategic goals, and customer demands.

- Reengineering identifies, analyzes, and redesigns an organisation's core business processes with the aim of achieving dramatic improvements in critical performance measures, such as cost, quality, service, and speed.

BPR Implementation: Broad Guidelines

BPR which can be applied universally by following these broad guidelines.

Envision new processes

- ✓ Secure management support
- ✓ Identify reengineering opportunities
- ✓ Identify enabling technologies
- ✓ Align with corporate strategy

Initiating change

- ✓ Set up reengineering team
- ✓ Define desired performance goals

Process diagnosis

- ✓ Describe existing processes
- ✓ Uncover deficiencies in existing processes

Process redesign

- ✓ Develop alternative process scenarios
- ✓ Develop new process design
- ✓ Design HR architecture
- ✓ Select IT platform
- ✓ Develop overall blueprint for action and gather feedback

Reconstruction

- ✓ Develop/install IT solution
- ✓ Establish process changes

Process monitoring

- ✓ Performance measurement, including time, quality, cost, IT performance
- ✓ Link to continuous improvement

International Organisation for Standardisation (ISO) & ISO 9000 Series

- The ISO 9000 family addresses various aspects of quality management and contains some of ISO's best known standards. The standards provide guidance and tools for companies and organisations who want to ensure that their products and services consistently meet customer's requirements, and that quality is consistently improved.
- Originally published in 1987 by the International Organisation for Standardisation (ISO), a specialised international agency for standardisation composed of the national standards bodies of 90 countries.

- Underwent major revision in 2000.
- Now includes ISO 9000:2000 (definitions), ISO 9001:2008 (requirements) and ISO 9004: 2000 (continuous improvement).

ISO 9001:2015

- **ISO 9001**:2015 sets out the criteria for a quality management system and is the only standard in the family that can be certified to (although this is not a requirement). It can be used by any organisation, large or small, regardless of its field of activity.
- **Using ISO 9001**:2015 helps ensure that customers get consistent, good quality products and services, which in turn brings many business benefits.

Standards in the ISO 9000 family include:

- **ISO 9001:2015** – sets out the requirements of a quality management system
- **ISO 9000:2015** – covers the basic concepts and language
- **ISO 9004:2009** – focuses on how to make a quality management system more efficient and effective
- **ISO 19011:2011** – sets out guidance on internal and external audits of quality management systems.

Potential Benefits

- **ISO 9001**:2008 covers an extensive range of requirements and seeks to improve the quality of all of the organisation's management activities, which has the potential to result in some substantial overall organisational improvement.
- **ISO 9001:**2008 is one of the most nationally and internationally known quality standards that affirms the independent approval of a management system designed specifically to deliver high levels of customer satisfaction.
- It has the potential to improve internal and external accountability and communication of management and production procedures.
- ISO 9001 certification can help an organisation qualify for a tender or to achieve preferred supplier status, typically in the western countries.

Potential Limitations

- Pursuing the standard has the potential to be expensive in terms of start-up and running costs and has the potential be time consuming to implement.
- There is less flexibility than other tools and it is much more difficult to use in smaller parts of for single issues.
- Its origins are in the industrial sector and whilst the latest version, has been made more user friendly for service organisations it may be less suitable for socially enterprising organisations.
- The vast majority of ISO standards are highly specific to a particular product, material, or process. However, ISO 9001 (quality) and ISO 14001 (environment) are 'generic management system standards'.

'Quality Circle': HR Strategy To Quality Improvement

- Participative methods in the workplace are one way to improve both the work environment for employees and productivity and quality for the company. Quality Circle is one such employee participation method.
- It involves the channelization of skills, capabilities, confidence and creativity of the workforce through cumulative process of education, training, work experience and participation. Quality Circles have emerged as a mechanism to develop and utilize the tremendous potential of people for improvement in product quality and productivity.
- Quality Circle is a small group of 6 to 12 employees doing similar work who voluntarily meet together on a regular basis to identify improvements in their respective work areas using proven techniques for analysing and solving work related problems coming in the way of achieving and sustaining excellence.

Objectives of Quality Circle

- **Change in Attitude:** From "I don't care" to "I do care". Continuous improvement in quality of work life through humanisation of work.
- **Self Development :** Bring out 'Hidden Potential' of people. People get to learn additional skills.
- **Development of Team Spirit:** Individual Vs Team – "I could not do but we did it" Eliminate inter departmental conflicts.
- **Improved Organisational Culture:** Positive working environment, total involvement of people at all levels, higher motivational level and participative management process.

Organisational Structure of Quality Circle

- **A steering committee:** This is at the top of the structure. It is headed by a senior executive and includes representatives from the top management personnel and human resource development people. It establishes policy, plans and directs the program and meets usually once in a month.
- **Coordinator:** He / She may be an HR or Administrative officer who co-ordinates and supervises the work of the facilitators and administers the programme.
- **Facilitator:** He/She may be a senior supervisory officer. He/She co-ordinates the works of several quality circles through the circle leaders.
- **Circle leader:** A Circle leader organises and conducts Circle activities
- **Circle members:** They may be staff workers. Without circle members the programme cannot exist. They should attend all meetings as far as possible, offer suggestions and ideas, participate actively in group process, take training seriously with a receptive attitude.

Implementation of Quality Circle

The operation of quality circles involves a set of sequential steps as under:

- **Problem identification:** Identify a number of problems, decide the priorities and select the problems to be taken up first.
- **Problem is clarified and analyzed** by basic problem solving methods.

- **Generate alternative solutions:** Identify and evaluate causes and generate number of possible alternative solutions, and select the most appropriate solution. Discuss and evaluate the alternative solutions by comparison in terms of investment and return from the investment.
- **Prepare plan of action** for converting the solution into action plan and implement solution as a test case. The management evaluates the recommended solution. Then it is tested and if successful, implemented on a full scale.

QC in Banks

- Quality Circle is a voluntary group of employees in the same work area, coming together, working as a team, solving work related problems resulting in self-development and organisational benefit. The concept has been built on the basic foundation of "**Participative work culture**" with motivation and involvement of employees at grass roots level exploring their potentials, creativity and capabilities.
- With a view to provide greater exposure and wide experience, Quality Circles which have successfully completed their projects are nominated:
- ✓ To participate in Bank's Apex Quality Circle Contest.
- ✓ For presentations at external forums like – Local Chapter Conventions and Annual National Convention on Quality Circles (NCQC) organised by Quality Circle Forum of India (QCFI).

Although, some Banks including SBI have been forming the QCs and have experienced the benefits of this concept, still this concept remains to gain popularity.

'Six Sigma': A Model For Improving In Business Processes

- Six Sigma is a fact-based data driven structured methodology that is used to create breakthrough improvements in business processes with a strong focus on customer needs. It is used to solve tough business problems when the root cause of the problem or the solution is not known.
- Six Sigma is a top-down solution to help organisations align their business strategy to critical improvement efforts, mobilize teams to attack high impact projects, accelerate improved business results and govern efforts to ensure improvements are sustained.
- Six Sigma began in 1986 as a statistically-based method to reduce variation in electronic manufacturing processes in Motorola Inc in the USA.

Six Sigma DMAIC and DMAICT Process Elements

Most practitioners and users of Six Sigma refer to Motorola's early DMAIC acronym (extended since to DMAICT) as a way of reinforcing and reminding participants what needs to be done.

- **D – Define opportunity**

- **M – Measure performance**

- **A – Analyze opportunity**

- **I – Improve performance**
- **C – Control performance**
- **T – Transfer best practice**

KAIZEN METHOD

- Kaizen is a Japanese word which means **"improvement"**. It refers to the continuous efforts by the employees of each and every level in the organization to improve the quality.
- This works under '5S' technique - **Sort, Set in order, Shine, Standardise and Sustainability.** Initially it was developed for housekeeping but later it was adopted as a sound management practices by the organizations.

The details about these '5S', are mentioned below:

Seiri (Sort) – The first step is decluttering.

- ✓ The decluttering process is done to remove the unnecessary items from the desk or the organization.
- ✓ Remove the unused items.
- ✓ Assess the difficulties in achieving the goals and remove those obstacles.

Seiton (Set in order) – it includes:

- ✓ Arrange the things in order.
- ✓ Prioritise the work, which work is important, which work can be deferred, in order to handle the workload efficiently.
- ✓ Proper process should be followed to avoid confusions and manage time efficiently.

Seiso (Shine) - this step talks about the cleanliness.

- ✓ The workplace such as desktop, offices should be clean to induce positive vibes.
- ✓ Machines and equipment should be clean and maintained regularly to prevent early deterioration.

Seiketsu (Standardise) - this step talks about the standardisation.

- ✓ F.W. Taylor also talked about standardisation in Scientific approach of management. He mentioned that standardised processes should be followed to do the work in efficient manner.
- ✓ It means work should be done in standard format to save the time and avoid the errors.

Shitsuke (Discipline and Sustainability) – It includes:

- ✓ Rules and regulations should be followed at workplace.
- ✓ Dedication should be embraced and procrastination should be avoided.
- ✓ The work should be done in a sustainable manner avoiding the wastage of resources.

'Positive Attitude': The Core Behavioural Capital Of Organisations

An attitude can be defined as a predisposition to respond in a favorable or unfavorable way to objects or persons in one's environment. When we like or dislike something, we are, in effect, expressing our attitude toward the person or object.

It is imperative for the organizations to develop the feasible mechanisms to instill and reinforce positive attitudes among its workforce, which will improve organizational performance.

- **Identification of employees with negative attitudes and to counsel them:** In the first step, the organizations should identify the employees infested with negative attitudes and behaviours through attitudinal survey exercise.
- **Disseminate the need for imbibing Positive Attitudes:** This can be achieved through either positive measures i.e., through persuasion, education and rewards or negative measures i.e., through reprimands and punishments.
- **Effective communication of policies and decisions that may influence assessment of employee's performance:** Under the positive intervention which is mostly an employee-friendly measure, the organization needs to communicate its policies and decisions which are likely to influence assessment of employee's performance.
- **Creating a healthy Organisational climate:** the organizational climate should foster the growth and development of positive attitudes. Since organisational climate has a strong influence on employee performance, it should be responsive to attitudinal changes. Organisational climate refers to the prevalent attitudes, values, norms, beliefs, perceptions and feelings of employees concerning the organization.

Stress Management

Stress is the way human beings react both physically and mentally to changes, events, and situations in their life. The reaction is based on one's perception of an event or situation. If a situation is viewed negatively, one will likely to feel distressed— overwhelmed, oppressed, or out of control. The other form, eustress, results from a **"positive"** view of an event or situation, which is why it is also called "**good stress."** Eustress helps the individual to rise to a challenge and can be an antidote to boredom because it engages focused energy.

The stress has the following features:

- ✓ It is a physical and/or mental process originated from the body response out of the physical and psychological events individuals experience
- ✓ It is a part of life and if exceeds it becomes difficult to cope with.
- ✓ It has positive as well as negative effects on the individuals
- ✓ It has a cumulative effect. If stress is not managed well on time, the hardships one faces in forthcoming period will add upon to the existing stress.

Coping Strategies for Stress

✓ To adopt effective time management techniques by proper planning the schedule of daily work priority-wise

✓ To learn to relax by taking up a hobby, physical & mental exercise by way of morning walk, yoga, meditation etc. so as to feel physically and mentally relaxed

✓ To set up a flexible plan in the life by setting goals that are achievable.

✓ To learn to get along with other people and to maintain inter-personal relations

✓ To learn to face the things as it comes in the life

✓ To get physical examination in frequent intervals and to take adequate medical care.

✓ To encourage upward communications in the organisations

✓ To define the job roles properly without any ambiguity.

✓ To enhance employee participation in decision making process.

✓ To have required resilience in selection and placement of personnel so as to ensure that high-stress jobs are entrusted only to experienced individuals.

✓ To delegate the authority down the hierarchy and to empower the subordinates with an objective not to penalize them for mistakes but enable them to develop and prosper.

✓ To practice positive thinking, develop best skills, attitudes & behaviour and to be innovative, creative and practical approach.

Business Etiquettes

- **'Business Etiquette'** is a set of manners that is accepted or required in a business or profession. The basic definition of Business etiquettes is that it is the forms, manners, and ceremonies established by convention as acceptable or required in social relations, in a profession, or in official life.
- Proper etiquette is important in a social setting, but it is equally crucial in a business setting. Banks being service organisations, maintaining proper etiquettes at workplace and also while delivering service and augmenting business is very essential as, any deficit in etiquettes by the workforce at large will reflect badly on the organisation and business.

Five important elements of business behavior:

✓ Work Behavior;
✓ Meeting People;
✓ Telephone Etiquette;
✓ Dining Etiquette; and
✓ Etiquette for Correspondence.

Work Etiquettes

The following behaviours and principles can be followed at work environment to reflect good work etiquettes:

✓ Maintain proper Time Management:

- ✓ Exhibit proper behaviour and attitude
- ✓ Be conscious about office behaviour
- ✓ Be knowledgeable about the Organisational policies, rules and regulations etc – both written and unwritten
- ✓ Be as professional as possible
- ✓ Accept challenge with resolve and commitment
- ✓ Be flexible in approach/attitude but without losing your individuality

CAIIB HRM Module A Unit 3- Organisational Change

Organisational Change

- **'Organisational Change'** is the modification in any or all the internal environment of the organisation like organisation's structure, technology, physical settings and human resources.
- Changing the Organisational structure involves making modifications in human relations, co-ordination mechanisms, job-design and other similar structural aspects like job specification, span of control, organisational designs, etc.
- Changes would also **help individuals, groups and departments in the organisations to work together as a well-knit team**. Hence, Organisational Change also involves discovering and adopting new attitudes, values and behaviours. Behavioural changes include changes in employee values, skills, attitudes, expectations, perceptions and needs commensuration with the changing times and situations. The processes of effective communication, appropriate decision-making and timely problem solving mechanisms help in changing attitudes of employees.

Change And Development

- **Change management is defined as the methods and manners in which a company describes and implements change within both its internal and external processes**. This includes preparing and supporting employees, establishing the necessary steps for change, and monitoring pre- and post-change activities to ensure successful implementation.
- To initiate organisational change and begin guiding successful change efforts, the change agent should have at least a broad understanding of the context of the change effort. This includes understanding the basic systems and structures in organisations, including their typical terms and roles. This requirement applies to the understanding of leadership and management of the organisations.
- Organisational change efforts should be geared to improve the performance of organisations and the people in those organisations.

Strategies for Managing Resistance to Change

- Resistance to change can be defined as any obstacle that becomes an impediment to implementing change.

- According to Kotter and Schlesinger (1979) proposed six crucial techniques for overcoming the resistance to change.

These are given below:

- ✓ Widespread Education and Improving Communication
- ✓ Facilitating Participation and involvement
- ✓ Support and Facilitation
- ✓ Agreement & Negotiation
- ✓ Co-optation & Manipulation
- ✓ Coercion-Both Explicit and Implicit

Emerging 'Change Initiatives' in Banking Industry

- The concept of '**mass banking'** which was the main theme of **Nationalisation of Banks during 1969** has gradually been shifted towards '**class banking'** and the concept of '**Profitability' has become the 'new mantra'** in the Banking World.
- The liberalization and globalisation measures initiated by the Government and the consequential decision like lowering of entry barriers enabled new players with sophisticated technology to enter the Banking Industry thereby perforce the Nationalised Banks to enhance their operational efficiency by inventing new products and innovative services matching with the ever-increasing customer needs and preferences.
- This situation had led the Reserve Bank of India (RBI) to initiate certain expeditious measures, viz., gradual reduction in Bank Rate, substantial cut in CRR in phases, deregulation of interest rates by leaving enough freedom to the individual banks to fix the interest rates on their own full disclosure, transparency and effective supervision of banking operations through introduction of tighter prudential norms, operational flexibility to banks, evolving Asset Liability Management (ALM), risk management systems, laying more emphasis on recovery of loans and reduction in Non-Performing Assets, etc.
- Extensive computerisation and increased usage of Information Technology in banking operations, **First and Second Generation Reforms and attempts to reduce government's stake in State owned Banks**, etc., had led the Banks to function under greater competitive atmosphere by re-orienting their programmes, policies and products towards changing environment so as to ensure sustainability of their business operations.
- Banks have begun to explore new areas and innovative business opportunities like Universal Banking, **Any Where and Any Time banking, Tele-banking, installation of ATMs, etc.**
- The recent action of the Government in abolishing **Banking Service Recruitment Boards (BSRBs)** manifests the Government's resolve to grant autonomy to individual banks in infusing new and young talents with good mix of educational qualifications, functional experience and skill content, through any source/s according to their local requirements.

- Further, in the recent past, the banks have also taken steps for instituting Call Centers, selling third **party products like Insurance Policies, Wealth Management products, etc.**

Change Agent

Dave Ulrich has completed extensive research in this area. His research, validated by HR professionals and their line **manager "clients", showed** that successful change agents had the ability to:

- ✓ Diagnose problems
- ✓ Build relationships with clients
- ✓ Ensure that the Vision is Articulated
- ✓ Set a Leadership Agenda
- ✓ Solve Problems
- ✓ Implement plans to achieve change goals

The four key factors for the successful implementation of change within an organisation are:

- **Pressure for change** – demonstrated senior management commitment is essential.
- **A clear, shared vision** – you must usher everyone with you. This is a shared agenda that benefits the whole organisation.
- **Capacity for change** – you need to provide the resources: time and finance.
- **Action and performance** – "plan, do, check, act" – and keep communication channels open.

The most important contributions to be made through the change agent role are those that sustain the organisation's current performance and assure its future performance by:

- ✓ Enabling people to work effectively as they plan, implement and experience change.
- ✓ Increasing people's ability to manage future change.

Managing Change

Various Phases in Implementing Planned Change

A '**Planned Change'** is one, which is effected in a planned manner after assessing the need for change. Detailed plan has to be worked out as to when and how these changes will be carried out. This is also called as pro-active change because management should be sensible to the environmental changes by proper anticipation so that the organisational crisis situations can be averted.

- **The first phase is the preparatory stage** in which the management has to create a felt need for change among the workforce. This is a stage in which the system shall be suitably prepared to start the change. This can be done by establishing good relationship with the employees and helping them to realize

that present behaviours, attitudes and efforts are not effective and sufficient to survive and sustain in the future.

- **The second phase is the is the stage in which the actual change is initiated** and carried out by the management by seeking and enlisting cooperation and support from all those who matter in the change process. This can be done by:
  ✓ Identifying new and more effective ways of doing things,
  ✓ Choosing appropriate changes in tasks, people, culture, technology and structure, and
  ✓ **T**aking appropriate and suitable steps to put these changes into action.

- **The third and the last phase of the change process is the stage in which the management should ensure that the planned change so introduced in the organisation conforms to the objectives of the change process and it stabilizes as fast as possible**. This can be done by:

  ✓ creating acceptance and continuity for the new behaviors, attitudes and/or work processes, etc.,
  ✓ **P**roviding necessary resource support – human and finance, and
  ✓ Providing necessary motivation through performance-linked rewards and positive reinforcement for carrying out the changes so introduced.

John P Kotter's Eight Step To Successful Change

Kotter's eight step change model can be summarised as:

- **Increase urgency –** inspire people to move, make objectives real and relevant.
- **Build the guiding team –** get the right people in place with the right emotional commitment, and the right mix of skills and levels.
- **Get the vision right –** get the team to establish a simple vision and strategy, focus on emotional and creative aspects necessary to drive service and efficiency.
- **Communicate for buy-in –** Involve as many people as possible, communicate the essentials, simply, and to appeal and respond to people's needs.
- **De-clutter communications –** make technology work for you rather than against.

- **Empower action –** Remove obstacles, enable constructive feedback and lots of support from leaders – reward and recognise progress and achievements.

- **Create short-term wins –** Set aims that are easy to achieve – in bite-size chunks.

- **Make change stick –** Reinforce the value of successful change via recruitment, promotion, new change leaders. Weave change into culture.

Responsibility Charting

- A method of assigning role and defining the interrelationship of roles for specific decisions and tasks.
- A foundation for sound delegation.

- A basis for holding people accountable for their roles in specific decisions and tasks.
- A short-hand language for communication about roles and responsibilities.
- A decision matrix or grid with actual and potential stakeholders (those involved in or affected by a decision or task) listed horizontally and decisions or tasks listed vertically.

Use of Responsibility Charting

- Identify individual and team roles and inter-relationships.

- Clearly state procedural specification of individual and team and set time frames.

- Understand and clarify roles and expectations.

- Improve accountability, delegation, communication and teamwork.

Key Elements of Responsibility Charting

- Decisions or tasks.

- Stakeholders

- Level of participation of each stakeholder in each decision of task.

Responsibility Chart Design

- Responsibility Charting is a good example of a project management tool. This tool can be used in a very interactive and participatory way to engage a group of stakeholders who all have some connection to a common set of tasks or decisions that **must be made in carrying out a 'project'.**

- The process is used to compare how different stakeholders currently perceive their roles, to identify discrepancies, and then to reach consensus on how decisions ought to be made.

- It can be quite a good design activity, and in the end produces a clear picture of the interrelated roles and relationships that must be managed to accomplish the project within a given time frame. It usually produces a lot of learning for the participants as well.

- It can be used in a bureaucratic manner that precludes participation, or in an interactive way that encourages exploration and action learning.

CAIIB HRM Module A Unit 4- HRM in Indian Bank

Traditional Role of HRM In Indian Banks

- The qualitative changes in staff composition, skills required, absorption of functionally skilled personnel, retaining staff in the face of competition, and in

dealing with a host of problems arising out of massive and sudden expansion in the last few decades have not been given the attention they deserve.

- The introduction of **Golden Handshake** voluntary retirement scheme in the year 2000 has made the public sector banks virtually bleed a very sizeable portion of their performing personnel. Even after the introduction of the voluntary retirement scheme, the problem of overstaffing has not been totally solved. The overstaffed cadres still remain with the banks and the areas where there is more manpower requirement have been further depleted in strength due to this scheme.

Human Resource Planning

Human Resource Planning (HRP) is the process by which an organisation ensures that it has the right number and kinds of people, at the right place, at the right time, capable of effectively and efficiently completing those tasks that will help the organisation to achieve its overall objectives.

Human resource Planning process generally comprises of the following steps:

- Assessing current human resources.
- Assessing future business expansions and projections and new business lines, etc.
- Assess and forecast of number and type of human resources additionally required to meet thee above business forecasts.
- Assessing the internal and external HR supply sources.
- Acquiring people at right time from within and outside as per the pre-drawn estimates.
- Making the people available at required places at right time.

Recruitment And Selection

- **Under this function**, the HR Department has to make plans to acquire the human resource as per the estimates arrived under HR Planning. Apart from the people required for traditional support functions, the bank recruits talented individuals from the external market to supplement their internal wealth of talent and also to **man the new and contemporary business lines like Wealth Management, Treasury Management, Assets & Liability Management**, etc.
- Selection of employees is based on knowledge, skills and talent. As an Equal Opportunity Employment practitioner, the Bank is committed to providing equality of opportunity to all candidates, regardless of gender, race, nationality, age, disability, ethnic origin, or marital status while at the same time, identifying the unique strengths each individual brings which can be harnessed.

Training & Development

The Bank provides a framework within which the employee can identify the training and development needs. Such an approach provides a consistent standard of management learning throughout.

The Bank has a unique one year training period for fresh graduates during which the employee can expect to **experience a blend of core and discretionary elements, through exposure to the following:**

- ✓ Induction, the process that introduces the new entrant to the bank, the employee's own business or function and particular department.
- ✓ Training in specific products and technical skills.
- ✓ On the job training post the initial exposure, to all operational areas
- ✓ Work-based assignments in respective business or function,
- ✓ Cross-functional attachments – experiencing short stints spent in another business or support function.

Employee Welfare

- The **Bank believes that the health and well-being of their employees and their families is important**. Concerned not only about the physical health of their employees, but also of their mental and emotional well-being, the Bank has policies and practices that provide for a safe and healthy working environment.
- The importance of employee-welfare in banks has set new standards as the Government of India has mandated Public Sector Banks to spend an amount upto 3% of their net profits towards staff welfare activities.
- The Government of India has mandated to form Staff Welfare Committees in the banks to administer to devise and administer the staff welfare schemes in the respective banks suiting the needs of their employees within the allocable funds. **In the wage settlement of 2015,** a uniform Medical Insurance Scheme has been implemented through Health insurance.

Compensation

- In Public Sector Banks, the compensation and wages are covered by the bilateral agreements/settlements being entered 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.**
- Private Banks regularly conduct salary surveys to ensure that the reward package remains competitive in the market place. The compensation package provided to the employees can be divided into two categories; one for the sales personnel who are compensated on their ability to meet their targets and the other for executives who are responsible for the overall functions of the Bank.
- The bank also provides various incentives in the form of bonuses to encourage the employees and motivate them to continue with their high performance. **These include Spot Award, Surprise Awards, Best Performer Award and Service Quality Awards.**

Performance Management

- Performance management is the process through which managers ensure that employee activities and outputs are congruent with the organisation's goals.

- In Public Sector Banks (PSBs), a Uniform set of Performance Appraisal formats as devised by **the Government of India**, is being followed with various Key Responsibility Areas (KRAs) and Management Dimensions different for each category or scale of officers. These formats are the tools for measuring the performance of officers against budgets on annual basis.
- However, in Private Sector Banks, a number of measures and tools are used for the **implementation of PMS (Performance Management System**). The performance appraisal system is the primary means for managing employee performance. A performance measurement system is developed that incorporates a tool for measuring and rewarding performance.

Expectations From HR Department

- The HR department in Banks has to undertake many functions which are of developmental HR viz., **Talent Management, Succession Management, Performance Management, Competency Mapping, HR Audit, HR Accounting**, Attrition Management and as such the HR professional requires to possess new skills to handle all these contemporary functions of people management.
- The HR department need to respond quickly and appropriately in making the right human resource available at right time, at right place and also by constantly developing them in terms of career and skills besides formulating viable schemes/policies for retention of performing talents.
- Factors such as skills, attitudes and knowledge of personnel, play a critical role in determining the competitiveness within the organisation or the industry. The availability of trained manpower would greatly influence the ability of banks to deliver value to clients or customers.

Changing Profile Of 'HRM' In Banks

- Banks have initiated the task of reviewing the existing Training methods in a bid to harness the skill content of the people and to enhance their creativity. The extensive use of E-learning initiatives ably aided by the technology and also usage of advanced training methods **like Assessment Centre Approach (ACA**), Management Games, Psychometric Tests methods of training being followed by many of the **public and private banks –** come under this initiatives.
- The action of **the Government in abolishing Banking Service Recruitment Boards (BSRBs)** and thereby granting autonomy to individual banks in framing their own Recruitment strategies for infusing new and young talents with good mix of educational qualifications, professional experience and skill content.
- Banks are attempting to inculcate a work culture that breeds high productivity, voluntary sharing of jobs and an environment free from restrictive practices.

Major HRM Challenges Facing Banks

The HR strategy for banks must therefore address the following major issues:

- HR planning must illustrate the process of developing human resource available from all sources. The strengths and weaknesses of staffing options such as

outsourcing, use of contingent workers, and downsizing must find a place in manpower planning.

- The recruitment process must be done strategically to source the correct talent mix for an early fit for the position.
- The selection process should emphasize ways of minimizing errors in employee selection and placement to improve the bank's competitive position.
- An effective training program to define expectations, actual training needs, develop competencies and grow talent for the future need of the bank. Revamp the training systems towards experiential training and to **transform 'Training' endeavour** to '**Learning' process.**
- To handle Performance Management function with more rigor so as to distinguish '**Performers' and 'Non-performers'** with a genuine intention of transforming the '**non-performers'** through '**carrot and stick' approach**.
- To ensure '**Job-man fit'** by placing '**right man on the right** job' through robust **'Competency Mapping'** systems.
- To evolve well-knit policies and procedures for employee engagement and retention of key talents so as to address attrition issues timely and effectively.
- To prepare them to take higher responsibilities.

Core Banking And People Challenges

- Core banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform basic transactions from any of the member branch offices.
- Core banking covers basic depositing and lending of money. Normal Core Banking functions will include transaction accounts, loans, mortgages and payments. Banks make these services available across multiple channels like **ATMs, internet banking, mobile banking and branches**.
- The core banking services rely heavily on computer and network technology to allow a bank to centralise its record keeping and allow access from any location. Core banking Solutions (CBS) packages in banks are developed by external software vendors like TCS, Infosys etc. that allowed core banking solutions to be operational in banks.

Core Banking Solutions

- The platform where communication technology and information technology are merged to suit core needs of banking is known as **Core Banking Solutions**.
- Here, computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, interest calculations on loans and deposits, customer records, balance of payments and easy facilitation of withdrawals with the use of anywhere banking. This software is installed at different branches of bank and then interconnected by **means of communication lines like telephones, satellite, internet** etc. It allows the user (customers) to operate accounts from any branch if it has installed core banking solutions.

- This new platform has changed the way banks are working. Now, many advanced features like regulatory requirements and other specialised services like share (stock) trading are being provided. Core banking solutions have helped revolutionize banking in India.

CAIIB HRM Module A Unit 5- Knowledge Management

Knowledge Management

- The banking is steadily shifting from **'labour-intese enterprise'** to **'knowledge-driven economy'** and as such in the futuristic outlook, the effectiveness and success of the banks largely depends on the level of intellectual capital which they could build up and nurture. This necessitates the banks, not only to acquire young talents potent with new and up-to-date knowledge and skills in abundance, but also to retain such talents by employing attractive HR interventions.
- The banks need to handle a new area of management, i.e., 'Knowledge Management' as the '**Management' as the 'Knowledge'** is the key to manage all other areas of management. The quality of performance in other areas of management depends greatly upon how effectively the banks manage their key knowledge assets.

Types of Knowledge Management

Knowledge is of two types. They are explicit and tacit knowledge.

- The term **'explicit knowledge'** can be defined as that component of knowledge which can be codified and transmitted in a methodical and prescribed language. For example, documents, databases, webs, e-mails, charts, etc.
- On the other hand, **'tacit knowledge'** is personal, intuitive, contextual, and difficult to formulize, and record or articulate. It is built out of experience and is stored in the minds of people
- **'Knowledge Management'** can be defined as a process encompassing various steps, viz., gathering, organizing, sharing and analyzing the knowledge of individuals and groups across the organisation in order to leverage such knowledge for organisational performance and to generate a new set of value system in the organisation.
- The companies where KM initiative are already in place and practiced with success may be called **Knowledge Intensive Firms (KIF). A Chief Knowledge Officer (CKO)** as is called, is mainly assigned the task of managing the reservoir of knowledge residing in the individual employee and setting up a mechanism by which knowledge is shared by all concerned that would otherwise remain in some remote department of the company.

The key drivers for KM initiative are:

- ✓ Rapid advances in the field of Information and Communication Technology (ICT) which has revolutionized the way in which businesses are being carried out.
- ✓ Extremely high business competition arising because of the globalisation of economies
- ✓ Increased complexity of business and complexity of management.
- ✓ Faster pace of innovation because of growing industry competition.
- ✓ Increased mobility of workforce.
- ✓ Growing recognition across all industries regarding the need and significance of ongoing and life-long learning, etc.

Significant Features Of Knowledge Management

- **KM initiatives can substantially contribute towards cost cutting, product and process innovations, competitiveness,** and hence can ensure improved operational efficiency as well as better systems, procedures and internal control systems.
- KM can tremendously improve the competency profile of the employees in an organisation in respect of their skills and knowledge levels. It provides the employees with a wider and holistic perspective of their own organisation vis-à-vis competitor firms.
- Unlike in case of physical assets which deteriorate in value over a period of time, organisational value gets enhanced progressively as it is used.
- KM initiatives can significantly contribute towards creation and addition of value in organisations.

- KM initiatives can significantly contribute towards customer service to a large extent and can support CRM initiatives considerably.

- KM can provide inputs in assessing the risks associated with a loan proposal and hence can help in taking more informed and objective credit decisions. Latest developments like **Knowledge Discovery and Data Mining (KDD)** software have further revolutionized the field.

- KM ensures the availability of relevant and up to date information regarding customers, competitors as well as other markets and enables faster and more scientific decision making in organisations.

- KM initiatives can inculcate a habit of continuous learning among the workforce to drive the organisation towards a **'Learning Organisation'.** A 'Learning Organisation' is an organisation which is not only skilled in creating, acquiring and transferring knowledge but also at modifying behaviour to reflect new knowledge and insights.

Knowledge Management In Banks

- The term knowledge itself is in a banks' context – **the difference between ordinary and the extraordinary handling of any task, process or interaction-between employees**, with customers or with any other stake

holder of the bank-has always been the explicit and tacit usage of knowledge by the person guiding the transaction.

- Successful banks of the 21st century will be those who do the best job capturing, storing and leveraging what their employees know.

- Continuous improvisation of selection procedure for quality manpower, a more competitive compensation structure, promotions based on competency assessment, are certainly aimed at an objective and knowledge based procedure.

- Encouragement for Study, Training, Group Activities, and Knowledge sharing through network portals have improved communication within organisations and helped development of knowledge sharing attitude to some extent.

- KM guides the personnel in being able to deliver projects in time in a cost effective manner which is critical in a service industry like banking. KM instills in the minds of the employees that projects assigned to them have to be delivered.

- In present era of competition, banks have to acquire, develop, update and make use of the requisite knowledge of business environment by identifying the areas in respect of which knowledge is required and acquiring the desired knowledge by induction of the right quality manpower.

- Some banks have recruited '**Chief Knowledge Officer (CKO)'** in the rank of **Asst. General manager/Dy. General Manager** who is exclusively responsible for managing the entire portfolio of KM in the bank right from identifying the knowledge needs, identifying the sources of knowledge, process of acquiring and sharing and disseminating such knowledge among workforce.

KM Models for Banks

Banks can follow the DIKAR model, which is recommended strongly for the software industry. This model is different from the usual approach in the sense it starts from the end i.e. from the results, which is a reverse process. Since, results are kept at the very top and one works backwards, there is greater possibility of achieving the desired results. In that sense, DIKAR is turned upside down and approached as RAKID where:

- ➢ **R = Ensuring Worthwhile Results.**
- ➢ **A = Taking effective action such that the effects of which generate data.**
- ➢ **K = Procuring the knowledge which is the basis for the above.**
- ➢ **I = Having the necessary information which is reflected to produce.**
- ➢ **D = Accordingly data is collected, stored and processed to create the above information.**

Implementation of 'Knowledge Management' Systems in Banks

- The **banking culture, knowledge acquisition, learning and innovation** are all important aspects of the knowledge Management Practices in Banks. In the preparatory stage, banks help the employees make an effort to understand the critical business processes within.
- KM is used for developing a new or customising an existing scheme or product with suitable enabler technology. Once implemented, banks can set up evaluation

machinery which could generate data and knowledge about the KM systems, status and awareness. The essence of KM implementation is thus, developing individuals' capabilities to deal with the organisational knowledge profitably and developing organisational capability through enhancement of support systems.

- Considering the high rate of attrition in the IT Sector which is a highly knowledge-based industry, some of the world-class players in this industry said to have introduced certain incentives and rewards for encouraging

- Its employees to share knowledge, besides incorporating the aspect of **'Contribution to Corporate Memory/Intellectual capital'** as one of Key Result Areas (KRAs) in their Annual Performance Appraisal.

- Such initiative has a dual objective, i.e., to encourage the knowledge-workers to stay attached to the organisation thereby preventing high exodus on one hand and to enhance the organisational knowledge out of their implicit talents, which will keep the organisation intellectually alive even after such talents eventually leave the organisation.

Application of Knowledge Management in Banks

- The increased thrust of service orientation in banks have brought in considerable use for technology as knowledge management plays a pivotal role in not only securing to protect the customer base but also broad-basing it in the long run. Customer Experience Management (CEM) which involves understanding the customers, their preferences, dislikes as also reasons for choosing another bank, could all, form a major decision making tool.
- The ultimate objective of instilling the effective Knowledge Management Systems in the banks, is to meaningfully apply such acquired knowledge for the business development.
- The success of such meaningful application of knowledge in the organisation largely depends on the concerned employee's attitude and also the organisation's rules and policies.

Knowledge Management Applications in Banks — Present & Future

With liberalization and globalization of business, competition has become the very core of business success or failure of firms. This is particularly relevant in the banking industry in India in the post reforms period. **KM can facilitate competitiveness of a product significantly;** because it can contribute, towards putting into practice all the three generic competitive strategies viz.

- ➢ **Cost Leadership**
- ➢ **Differentiation and**
- ➢ **Focus.**

In the present scenario, especially in the public sector banks, and old private sector banks, there is no provision to consider knowledge contributions of the employees as part the performance appraisal system and also to offer rewards or incentives to such contributions. For solving such cultural and behavioral issues, banks can adopt certain

measures like changing their HRM policies to incorporate rewards/incentives to staff for sharing of their knowledge and also consider such contributions during the performance appraisal process.

The Future

- Banks will see themselves appointing **Chief Knowledge Officers** who would be responsible for the implementation of the KM concept effectively in the near future.
- Since the future of banking industry would be based on the knowledge economy which is thriving and developing by the day, thanks to IT explosion, KM would be the only way in which banks can sustain themselves till another major revolution which could match the one on the IT front takes place and which would force people and processes to look for alternatives to IT.

IT And Database Management

- In banks, the Data Management is done through application modules driven by information technology. A **Database Management System (DBMS)** is a computer software application that interacts with the user, other applications, and the database itself to capture and analyze data.

- The Centralized Data Warehouse where the data of all customers of the branches of a bank is stored-should be in a position to provide readily the required information called for, as undue delay would tell upon the quality of service.

- New technologies are also making knowledge less dependent on the direct contribution by employees as the only means of acquiring new knowledge such as:

- **Data mining allows for gaining new knowledge by analyzing past performances.**
- **Electronic access to external sources of information, provide rich resource to create new knowledge.**
- **Video conferencing, application sharing and electronic meetings are useful knowledge sharing enablers.**

Some of the commonly used KM tools and technologies as a part of their Database Management Systems are as under:

- **Online Discussion Forums:** Discussion groups enable the exchange of ideas and information, helping a geographically separated team function as efficiently as if the team members shared the same office. It provides an efficient way to get specific answers and keeping every one informed on the relevant issues.
- **Online conferencing and collaborations:** Online meetings and collaborations make it easier to communicate and collaborate with people in an organisation's network.

- **Instant messaging:** Instant messaging system helps every day, more people to collaborate with co-workers, immediately sharing business information across widespread geographical locations and time zones.
- **Communities of Practice:** KM technologies provide a convenient and effective way to form 'Communities of Practice' (COP), around areas of common interest or projects. Communities are subgroups of people who have a shared specialisation, interest or project.

- **Document and Content Management:** Document management is a systematic method for storing, locating and keeping track of information that is valuable to a business. A structured document management system can increase productivity by workers reusing existing documents and expertise already generated.

- **Web Intelligence:** It brings together some key information pieces vital for an organisation's survival by focusing on the organisation's information, public relations and market intelligence needs. It also helps integrate the organisation with its customers, so as to offer a seamless, time-independent blend of services.

- **Personalized Portal Interface:** A personalized, portal interface becomes a great motivator to receive and share information. Different users are able to have different home pages based on their roles. One single screen on the computer enables the user to find relevant information in minimum possible time.

Role of Contemporary Information Technology Tools in Knowledge Management

Knowledge Management (KM) has become the key factor for the success of all organisations. Information and Communication Technologies (ICTs) are technologies which facilitate the management to share knowledge and information.

The following contemporary technologies contribute in organisation's knowledge management environment:

- **Intranets:** An intranet can be defined as a private network used by an organization. Its primary purpose is to help employees securely communicate with each other, to store information, and to help collaborate.
- **Dashboards**: A dashboard is a visual display of the most important information needed to achieve one or more objectives; consolidated and arranged on a single screen so the information can be monitored at a glance.

- **Document Management System:** Document management systems are repositories for organisation's document or explicit knowledge in an organisation. These systems are mainly used for creating, processing and reviewing documents.

- **Information retrieval engines:** Information retrieval from corporate text repositories or searching through intranet exist in many organisations as a knowledge silo.

- **Groupware and Workflow systems:** Groupwares are used in the organisation for communicating and collaborating among workgroups and departments in formal or ad hoc conversations when users cannot communicate in real time. The workflow systems are used for codification of knowledge transfer processes.

- **Brain storming applications:** These are used to convert tacit knowledge into explicit knowledge. hese applications are useful knowledge creating tools that help in categorizing, organisation and identifying knowledge resources.

- **Data warehousing and mining tools:** Organisations create data warehouse and provide the managers with data mining tools to take decisions based on increasingly complex set of data.

Artificial Intelligence (AI) in Banking Industry

- AI is the ability for machines to interact and learn to do tasks previously done by humans. Through machine interaction and learning, natural language can be processed and decisions made faster and more accurately than was possible in the past.
- AI makes it possible to automate vast amounts of data, analyzing and applying it at record speeds. New cognitive-based solutions also enables a more pro-active and personal customer experience at a lower cost than was ever possible before.
- Two of the biggest challenges that remain in banking is the absence of people experienced in data collection, analysis and application and the existence of data silos. This was reflected in the research done by Narrative Science.

Benefits of Artificial Intelligence (AI) in Banking

- ➤ **Enhanced customer personalization:** Personalized communications and advice as enabled by AI can be reflected by robo advisors – online wealth management services that provide automated, algorithm-based portfolio management advice without the help of a human counterpart.
- ➤ **Productivity Gains:** From customer communication flows to basic back office processing, AI can take rather routine, repetitive processes and make them both more efficient and effective
- ➤ **Fraud detection:** By an ongoing review of account activity patterns can be monitored, with aberrations to patterns being flagged for further review. Over the last decade, AI has not only significantly improved the monitoring process, but is now able to respond in real time to potential fraud.
- ➤ **Better Customer Recommendations:** AI provides the ability to have improve customer recommendations and advice. Mobile banking apps like Moven and Simple let users track their spending and increase their savings with automated, personalized recommendations via a specialized debit card linked with their smartphone app.

Database Management – Adding Value to Customer Services in Retail Banking

- The databases of the clients can play a very important role in customizing the services and hence adding value to it. Highly competitive environment has made the marketing of retail banking services a challenging job.
- The Indian Banking Sector has evolved immensely through history—starting from the early coinage system to the era of credit cards and now furthers on to Internet and home banking.
- Today we have a host of Nationalised, Public sector and Private sector banks that are ready to cater extensively to the needs of the customer. Banks are no longer restricted to any particular arena of Finance. With rapid changes in the economic environment, Indian banks have diversified into several sectors, viz.: **Consumer/Retail banking, Corporate Banking, Rural Development, Industrial Development, etc.**

Customer Knowledge: Relevance in Knowledge Management

- This is one of the most vital sources of knowledge of a bank. However, banks in India, in general, **except a few foreign banks and progressive private sector banks, are yet to put in systems for creation, maintenance and updation** of suitable customer databases, and to advantageously use the same for various managerial decision making.
- These decisions include customer segmentation based on various parameters, studying the behavior of customers based on their track record in respect of facilities already availed, launching various innovative and "**tailor made**" products to different customer groups/ segments, etc.
- **Customer Relationship Management (CRM)** is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with an objective of improving business relationships with customers and assisting in customer retention. KM along with sufficient IT support can be used as a powerful enabler of CRM.

- **KM for Business Innovation:** KM can act as an important enabler for the innovation efforts of a bank, since it can provide the latest and relevant information and other decision inputs. The basic point behind product innovation or process innovation being such factors as changing customer tastes, preferences, aspirations, profitability considerations etc. KM systems can make development of new products and processes very fast as well as very cost effective.

- **KM for assessing loan risks:** KM can provide tremendous inputs in assessing the risks associated with a loan proposal. Modern KM systems make use of latest **Knowledge Discovery and Data Mining (KDD) software**. These systems can extract unknown useful information from different databases and use the same in the given application. Accordingly, these systems can predict the repayment behavior, credit risk of loans and hence, help take sound credit decisions.

- **Knowledge Analysis:** The process of identifying specific skills contributing to the success of a firm is called knowledge analysis. It is not an easy subject. Constant practice is required for its development. Leadership among banks will depend on which bank leads in knowledge.

Database Management in Banks

- **Database Management' is "a collection of related data organized for efficient retrieval and manipulation".** The names of customers in the database could be obtained from internal and external sources. They may also have been created to meet specific requirements of the bank.
- Most organisations now make or try to make optimal utilisation of the database in its marketing activities and in the up gradation of the quality of its services. Such kind of marketing is termed as the Database Marketing. Database marketing can be defined as "**A Direct marketing technique emanating from the use of data collection on actual and prospective customers**".

- **Database Management and Database Marketing** adds to the strength of this pillar by helping in knowing a clear picture of the customer profile to understand who requires what and the specific type of service and meet such expectations as closely as possible.

Database Management Methodology

Among the various methods used by Banks the world over are:

- ➢ Segmentation Techniques,
- ➢ Custom Clustering,
- ➢ Data mining technologies,
- ➢ Online Analytical Processing Methods,
- ➢ E-Retail, Database Conquest Marketing,
- ➢ Telebanking.

Call Center and Call Processing Units. In banks, the Data Management is done through application modules driven by information technology. A Database Management System (DBMS) is a computer software application that interacts with **the user, other applications, and the database itself to capture and analyze data.**

Data Mining

- '**Data Mining'** is the process of analyzing data from different perspectives and summarizing it into useful information – information that can be used to increase revenue, cuts costs, or both.
- Data mining software is one of the number of analytical tools for analyzing data. It allows users to analyze data from many different dimensions or angles, categorize it, and summarize the relationships identified. Technically, data mining is the process of finding correlations or patterns among dozens of fields in large relational databases.

- Towards a systematic approach to the knowledge generation, the banks need to introduce the Data Warehousing and Data mining by leveraging the Information Technology for its competitive advantage so that such pooled data can be used as a source of knowledge and intelligence to the workforce.
- As most of the knowledge is generated through constant learning, research and its application in the work arena, banks have to encourage its employees to take up research in the core business areas and also to depute them to outside.

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HRM Module B -Building an HR Strategy

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Unit 5	Performance Management

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.
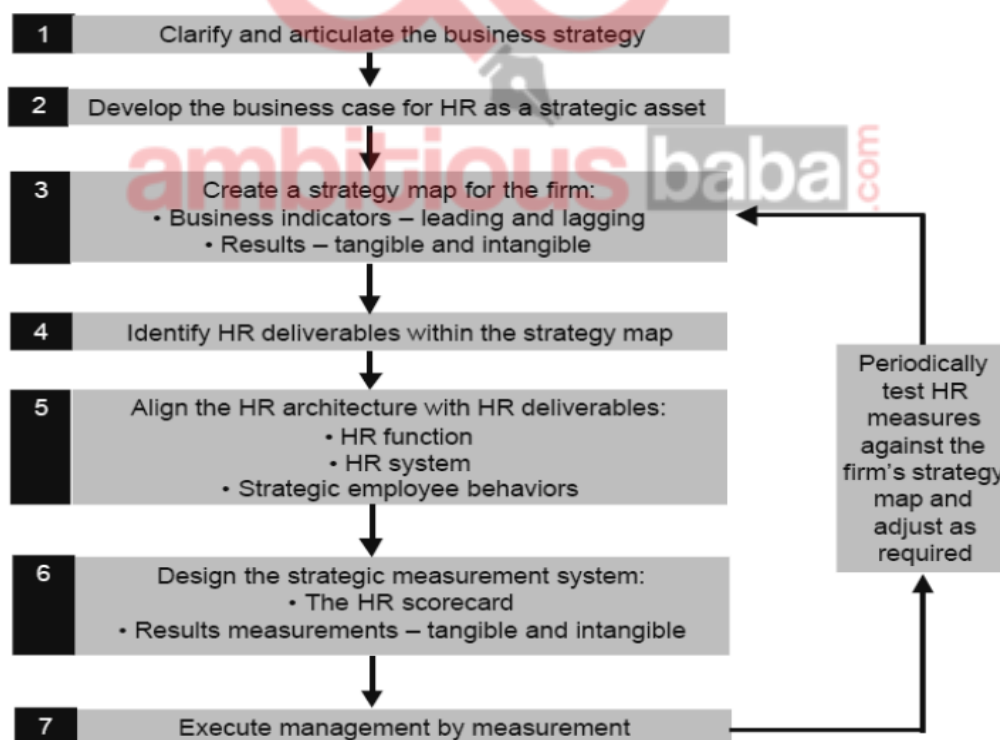
HR New Roles

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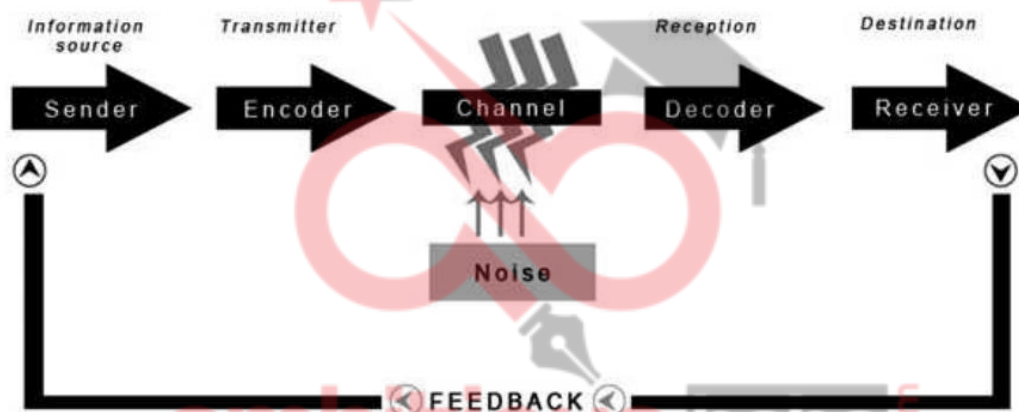
In contrast, if the manager wants to get his message across, or if he is concerned about his receivers' feeling that they are participating and are making a contribution, the two-way system is better. In either event, communication depends on how it is perceived by the recipient.

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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HRM Module C - Motivation, Training And Skill Development

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Unit 4	Training Methodology

CAIIB HRM Module C Unit 1- The Learning Process

Human Implications Of Organisations

- All elements of the business strategy have implications for human resources. An important part of HRM is the Human Resources Plan. The purpose of this **plan is to analyse the strategic requirements of the business in terms of manpower** – and then to find a way of meeting the required demand for labour.

Creating Competitive Advantage

'Competitive advantage' is what makes the organisation to feel better than the competition in its customers' view. The three determinants that conceptualize 'Competitive Advantage' are the following:

➢ **Benefit:** Whether it's goods or services, organisation must be clear on the benefit its product provides. It must be something that its customers truly need and that offers real value. Organisation must know not only its product's features, but also its advantages how they benefit from its customers.

➢ **Target market:** Organisations should know as to who are its customers? It has to know exactly who buys from the organisation, and how it can make their life better.

➢ **Competition:** That's more than just similar companies or products. It includes anything else a customer could do to meet the need organisation can fulfill.

To be successful, organisations need to be able to articulate the benefit they provide to its target market that's better than the competition.

Sustainable Competitive Advantage:

➢ Just because a company is the market leader now, doesn't mean it will be forever. A company must create clear goals, strategies and operations to sustain its competitive advantage.

➢ The corporate culture and values of the employees must be in alignment with those goals as well. It's difficult to do all those things well. That's why few companies can create a sustainable competitive advantage.

Common Implementation Challenges

• Most organisations do a relatively good job of figuring out what must be done to solve their problems or exploit their opportunities. The difficulty is that the vast majority is not able to implement these solutions very well as they unwittingly apply their resources toward identifying new solutions rather than realising existing potential.

• Such new solutions (merger, reorganisation, updated processes, etc.) are announced and introduced to the organisation with a typical sequence of events to include announcing the **project, providing new equipment or software, training, or a host of other related activities**.

Moments of Truth

A '**Moment of Truth**' is defined as an instance wherein the customer and the organisation come into contact with one another in a manner that gives the customer an opportunity to either form or change an impression about the firm.

Such an interaction could occur through the product of the firm, its service offering or both. Various instances could constitute a moment of truth - such as greeting the customer, handling customer queries or complaints, quickly and effectively, promoting

special offers or giving discounts and the closing of the interaction. there are four possible outcomes: **early termination, meltdown, installation, or realization.**

- **Early Termination:** Occasionally, approval is secured for a new initiative, but the project never really gets off the ground. Agreements are reached about what is to be done and budgets are set, but before any official announcements can take place, everything is discontinued. This is sometimes the result of an obvious financial or political crisis.
- **Meltdown:** Sometimes a project is announced and engaged, but at some point during implementation, it is discontinued with a complete withdrawal of resources and activity. Meltdowns are visible failures for all to see, and the economic and political price they incur are so costly they are generally avoided if at all possible.
- **Installation:** When change projects are first introduced into a work setting, they are deployed but have not yet achieved their ultimate intent. Installation is about placement; managing the tangible aspects of inserting a new initiative into the work environment (logistics, plugging in hardware and software, training schedules, work sessions).
- **Realisation:** Realisation takes place when the key purpose for an initiative is actually achieved.

The impact of all these four stages on the human resource is substantial. Frustration and even abrupt withdrawal by way of resignations happen when projects are killed or terminated early for no apparent reason. When projects get delayed or discontinued due to a meltdown, a number of the staff involved could also be directly affected; by retrenchment or if they continue with the project, continued frustration at the slow progress.

Human Landscapes

- Work environment is composed of two types of building blocks; those that are **"inert" (dealing with such things as structures, policies, technology, strategies, capital, and tools)** and those that are "**human" (dealing with such things as perceptions, assumptions, resistance, fears, aspirations, beliefs, and values**).
- It is the human component of a landscape that provides all the links, bonds, and affiliations that exist within work settings. People are the bridging agents between themselves and all inert features of a work environment; therefore, it is the human landscape that is most crucial to the success or failure of efforts to change the way an organisation functions.

Assessing Change Forces: Lewin's Force Field Analysis

- Before executing the plan for change, it is essential for the leadership to assess forces which affect change. The planned change is not automatic, rather there are many forces in individuals, groups or even organisation which may either accept the change or resist it, though in most of the cases, there may be resistance.

Therefore, unless the major forces resisting change agree to change, it may not be possible for the management to implement the change successfully. **Various forces affecting the change work on the principle of 'force field', a concept given by Kurt Lewin.** In a group process, there are some forces favouring to maintain an equilibrium while some may oppose the equilibrium at a particular point. Equilibrium is reached when the sum of the driving forces equals the sum of restraining forces.

Lewin's Force Field Analysis

There may be three types of situations when both driving and restraining forces are operating. Management can take one of the following actions:

➢ If the driving forces far outweighs the restraining forces, then the management can push driving forces and overpower restraining forces and change can be implemented.

➢ If the driving forces and restraining forces are equal, then management can push up the driving forces and at the same time, can convert or immobilise the restraining forces to implement the change.

➢ If the restraining forces are stronger than the driving forces, then the management can drop the change programme if it is not possible to change these forces.

The Learning Theory

Learning is acquiring new knowledge, behaviours, skills, values, preferences and understanding and may involve synthesizing different types of information, leads to change in behaviour.

Learning theory may be described as a body of principles advocated by psychologists and educators to explain how people acquire skills, knowledge, and attitudes. **The three important elements of learning are:**

- **Learning involves behavioural change**
- **Changes resulting from growth and maturity are not considered as learning**
- **Behavioural change should last for a long time.**

Learning is a process of acquisition of knowledge, tastes and attitudes.

➢ **Associative learning** is the process by which an element is learned through association with a separate, pre-occurring element. The learning process most characteristic of humans is imitation; one's personal repetition of an observed behaviour, such as a dance. Humans can copy three types of information simultaneously: the demonstrator's goals, actions and environmental outcomes.

➢ **Enculturation** is the process by which a person learns the requirements of their native culture by which he or she is surrounded, and acquires values and behaviours that are appropriate or necessary in that culture.

➢ **Acculturation** is the social and psychological process where one person learns the values and beliefs of another culture, primarily dominant one in their surroundings.

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E-learning and Augmented Learning

- **Electronic learning or e-learning is a general term used to refer to internet-based networked computer enhanced learning.** A specific and always more diffused e-learning is mobile-learning (m-Learning), it uses different mobile telecommunication equipments, such as cell phones.
- **When a learner interacts with the e-learning environment, it is called augmented learning**. By adapting to the needs of individuals, the context-driven instruction can be dynamically tailored to the learner's natural environment. Augmented digital content may include text, images, video, audio (music and voice).
- **Informal learning** occurs through the experience of day-to-day situations It is learning from life, during a meal at table with parents, exploring or purely by association. **Formal learning** is learning that takes place within a teacher-student relationship, such as in a school system.

Types of Learning:
- ✓ Motor Learning
- ✓ Verbal Learning
- ✓ Concept Learning
- ✓ Attitude learning
- ✓ Learning of principles

Domains of Learning

The three domains of learning are:

- **Cognitive –** The cognitive domain involves the development of our mental skills and the acquisition of knowledge. Examples: To recall, calculate, discuss, analyse, solving problems, etc.
- **Psychomotor –** The psychomotor domain is comprised of utilizing motor skills and coordinating them. Examples: To dance, swim, ski, dive, drive a car, ride a bike, etc.

- **Affective –** The affective domain involves our feelings, emotions and attitudes. Examples: To like something or someone, love, appreciate, fear, hate, worship, etc.

Note: These domains are not mutually exclusive.

Learning Process

Learning theory may be described as a body of principles advocated by psychologists and educators to explain how people acquire skills, knowledge, and attitudes. learning may be explained by a combination of two basic approaches: **Behaviourism and The cognitive theories**.

- **Behaviourism:** Behaviourists believe that animals, including humans, learn in about the same way. Behaviourism stresses the importance of having a particular form of behaviour reinforced by someone, to shape or control what is learned. Frequent, positive reinforcement and rewards accelerate learning. In general, the behaviourist theory emphasises positive reinforcement rather than – negative reinforcement or punishment.
- **Cognitive Theory:** Cognitive theory focuses on what is going on inside the student's mind. Learning is not just a change in behaviour; it is a change in the way a student thinks, understands, or feels.

There are several branches of cognitive theory. Two of the major theories may broadly be classified as the **information processing model and the social interaction model.**

- ➢ **The Information Processing Model** says that the student's brain has internal structures which select and process incoming material, store and retrieve it, use it to produce behaviour, and receive and process feedback on the results.
- ➢ **The social interaction theories** gained prominence in the 1980s. They stress that learning and subsequent changes in behaviour take place as a result of interaction between the student and the environment. Cultural influences, peer pressure, group dynamics, and film and television are some of the significant factors. Thus, the social environment to which the student is exposed demonstrates or models behaviours, and the student cognitively processes the observed behaviours and consequences.

Training vs Learning

- **'Training'** is an organisational procedure to enhance knowledge, skills for doing a particular job. It is mostly initiated by the organisations to enable their employees to improve their skills to perform their jobs. Whereas,
- **'Learning'** is a process which is inbuilt in training. It is a human process by which skills, knowledge and habits/attitudes are acquired and utilized to modify the behaviours.

Characteristics of Learning

Yoakman and Simpson have described the following nine important characteristics of learning.

- **Learning is growth:** This growth implies both physical as well as mental development of the learner. The individual gains experiences through various activities. These are all sources of learning. The individual grows through living and learning.

- **Learning is adjustment:** Learning enables the individual to adjust himself properly, with the new situations. The individual faces new problems and new situations throughout his life and learning helps him to solve the problems encountered by him.

- **Learning is purposeful:** All kinds of learning are goal-oriented. The individual acts with some purpose. They get interest when they are aware of their objectives to be realized through these activities.

- **Learning is experience:** The individual learns through experiences. All these experiences provide new knowledge, understanding, skills and attitudes. Learning is not mere acquisition of the knowledge, skills and attitudes. It is also the reorganisation of experiences or the synthesis of the old experiences with the new.

- **Learning is intelligent:** Mere cramming without proper understanding does not make learning. Any work done mechanically cannot yield satisfactory learning outcomes. Learning therefore must be intelligent.

- **Learning is active:** Learning is given more importance than teaching. It implies self-activity of the learner. Without adequate motivation he cannot work whole-heartedly and motivation is therefore at the root of self-activity. Learning by doing is thus an important principle of education, and the basis of all progressive methods of education like the Project, the Dalton, the Montessori and Basic system.

- **Learning is both individual and social**: Although learning is an individual activity, it is social also. Individual is influenced by his peers, friends, relatives' parents and classmates and learns their ideas, feelings and attitudes in some way or others. The social agencies like family, church, markets, and clubs exert immense influence on the individual minds.

- **Learning is the product of the environment:** The individual lives in interaction of the society. Particularly, environment plays an important part in the growth and development of the individual. The physical, social, intellectual and emotional development of the child is molded and remolded by the objects and individuals in his environment.

- **Learning affects the conduct of the learner:** Learning is called the modification of behaviour. It affects the learner's behaviour and conduct. Every learning experience brings about changes in the mental structure of the learner. Therefore, attempts are made to provide such learning experiences which can mould the desired conduct and habits in the learners.

Adult Learning

- In adult learning theory, it is presumed that adults have specific learning requirements. The adult learning theory also suggests that the best learning environments are the ones that are collaborative and utilize a problem-based approach.

Main Characteristics of Adult Learning

- **Adult learning is self-directed/autonomous:** Adult learners are actively involved in the learning process such that they make choices relevant to their learning objectives. As such, adult learners also direct their learning goals with the guidance of their mentors.
- **Adult learning utilizes knowledge & life experiences:** Under this approach educators encourage learners to connect their past experiences with their current knowledge-base and activities. Learners are taught ways to bring to their current placement past knowledge, opinions, and experiences.
- **Adult learning is goal-oriented:** The need to acquire relevant and adequate knowledge is of high importance. With this in mind, adult learning is characterized as goal-oriented and intended learning outcomes should be clearly identified. Once the learning goals have been identified, it is now imminent to align the learning activities such that these objectives are fulfilled within a certain period of time.
- **Adult learning is relevancy-oriented:** One of the best ways for adults to learn is by relating the assigned tasks to their own learning goals. If it is clear that the activities they are engaged into, directly contribute to achieving their personal learning objectives, then they will be inspired and motivated to engage in projects and successfully complete them.
- **Adult learning highlights practicality:** It is very important for educators to identify appropriate ways and convert theoretical learning to practical activities.
- **Adult learning encourages collaboration:** When learners are considered by their instructors as colleagues, they become more productive.

Principles of Learning

- **Readiness:** Individuals learn best when they are ready to learn, and they do not learn well if they see no reason for learning. Getting students ready to learn is usually the instructor's responsibility. If students have a strong purpose, a clear objective, and a definite reason for learning something, they make more progress than if they lack motivation.
- **Exercise:** The principle of exercise states that those things most often repeated are best remembered. The mind can rarely retain, evaluate, and apply new concepts or practices after a single exposure. Every time practice occurs, learning continues. The instructor must provide opportunities for students to practice and, at the same time, make sure that this process is directed toward a goal.
- **Intensity**: A vivid, dramatic, or exciting learning experience teaches more than a routine or boring experience. The principle of intensity implies that a student will learn more from the real thing than from a substitute. The classroom imposes limitations on the amount of realism that can be brought into teaching.

But today, instructors can benefit from a wide variety of instructional aides to improve realism, motivate learning, and challenge students.

- **Recency**: The principle of recency states that things most recently learned are best remembered. Instructors recognise the principle of recency when they carefully plan a summary session after each major topic gets covered. The instructor repeats, restates, or re-emphasises important points at the end of a lesson to help the student remember them. The principle of recency often determines the sequence of lectures within a course of instruction.

The Learning Process

Learning Styles can be divided into three broad categories: auditory, visual and kinesthetic.

Characteristics of each are:

- **Auditory- "I hear": Learn best through hearing**, using their ears and voices. These learners remember what they hear and remember by talking aloud, like to talk through a concept, enjoy class discussions.
- **Visual -"I see": Learn best through seeing**. These learners remember seeing things written down, enjoy pictures of what is described, like written assignment instructions, observe the physical elements of the teaching situation.
- **Kinesthetic: "I do": Learn best through doing, touching**. These learners enjoy acting out a situation, making a product or completing a project, remember and understand through doing something.

We learn:	*We Remember:*
• 1% through taste	• 10% of what we read
• 1.5% through touch	• 20% of what we hear
• 3.5% through smell	• 30% of what we see
• 11% through hearing	• 50% of what we see and hear
• 83% through sight	• 80% of what we say
	• 90% of what we say as we act

Note: Initially, all learning comes from perceptions which are directed to the brain by one or more of the **five senses: sight, hearing, touch, smell, and taste**. Psychologists have also found that learning occurs most rapidly when information is received through more than one sense.

Perception

- **'Perception' is the process of selecting, organising and interpreting information** in order to make sense of the world around us. It is the dynamic and complex way in which individuals select information (stimuli) from the environment, interpret and translate it so that a meaning is assigned which will result in a pattern of behaviour or thought.
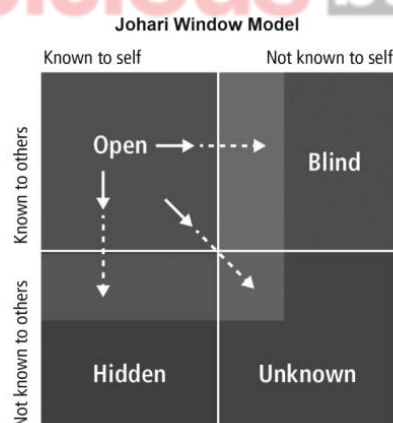
Perception Process

- **Receiving Stimuli –** Picking up all external and internal factors.
- **Selecting Stimuli –**This is where the introduction of new employees is important, they need to be presented in a way where the selected stimuli are positive.
- **Organising –** Grouping and selecting which are the perceptions to keep.
- **Interpreting –** Fundamental Attribution Error, stereotyping, Halo Effect and projection.
- **Response –** The perception is then turned into attitudes, motivation, feelings and beliefs, which will change the behaviours of the individuals.

Johari Window

It is a popular model in perception, for understanding how co-workers can increase their mutual understanding. **This model was developed by Joseph Luft and Harry Ingram.**

This model is based on two ideas- trust can be acquired by revealing information about you to others and learning yourselves from their feedbacks. Each person is represented by the Johari model through four quadrants or window pane. Each four window panes signifies personal information, feelings, motivation and whether that information is known or unknown to oneself or others in four viewpoints.

- **Open area -** It includes information which are known to the individual and their colleagues.
- **Blind area -** It includes information known to others but not known to individual.
- **Hidden area-** It includes information which is known to self but hidden form others.
- **Unknown area-** It includes information which in unknown to both individual and others.

Johari Window Model

Self-Concept

- Self-concept is a powerful determinant in learning. A student's self-image, described in such terms as confident and insecure, has a great influence on the total perceptual process.

- Self-concept is the ability to reflect on one's own traits, skills and behaviour. **Traits, competencies and values** are the three factors that are part of the self-concept theory.
- **Traits** are specific patterns of behaviour that exist within an individual. These traits lead to the idea that other people will view an individual based on these repetitive trait behaviours.
- The second factor of self-concept is **competencies.** This is where an individual grows to understand what skills, abilities and knowledge they have in an organisational environment. Once these skills are identified, the individual will create a self-concept about where they excel at work.

- The last part of self-concept deals with an **individual's values**, which are concepts and beliefs about their behaviour. An individual's values can be determined by their actions and verbal expressions. For example, the child spends enormous amounts of overtime at work, and he/she views himself/herself as a hard worker.

- **Negative self-concept** inhibits the perceptual processes by introducing psychological barriers which tend to keep the student from perceiving. They may also inhibit the ability to properly implement that which is perceived. That is, self-concept affects the ability to actually perform or do things unfavorable. Students who view themselves positively, on the other hand, are less defensive and more receptive to new experiences, instructions, and demonstrations.

Memory

- 'Memory', remembrance', 'recollection', 'reminiscence' – mean the capacity for or the act of remembering, or the thing remembered.
- **Memory** applies both to the power of remembering and to what is remembered. **Remembrance** applies to the act of remembering or the fact of being remembered. **Recollection** adds an implication of consciously bringing back to mind often with some effort. **Reminiscence** suggests the recalling of usually pleasant incidents, experiences, or feelings from a remote past.
- Memory is an integral part of the learning process. Although there are several theories on how the memory works, a widely accepted view is the multi-stage concept which states that memory includes three parts: **sensory, working or short-term, and long-term systems**.

- The '**sensory**' register receives inputs from the environment and quickly processes it according to the individual's preconceived concept of what is important. The sensory register processes inputs or stimuli from the environment within seconds, discards what is considered extraneous, and processes what is determined by the individual to be relevant. This is a selective process where the sensory register is set to recognise certain stimuli and immediately transmit them to the working memory for action.

- **Long-term memory** is where information is stored for future use. For the stored information to be useful, some special effort must have been expended during

the coding process in working or short-term memory. It also is subject to limitations, such as time, biases, and, in many cases, personal inaccuracies. This is why two people who view the same event will often have totally different recollections.

Transfer of Learning

'**Transfer of learning'** is the application of skills and knowledge learned in one context being applied in another context. Successful transfer of learning requires that training content be relevant to the task, that the learner must learn the training content, and that the learner must be motivated.

The following suggestions are representative of what educational psychologists believe should be done:

- Plan for transfer as a primary objective. As in all areas of teaching, the chance for success is increased if the teacher deliberately plans to achieve it.
- Make certain that the students understand that what is learned can be applied to other situations. Prepare them to seek other applications

- Maintain high-order learning standards: The more thoroughly the students understand the material, the more likely they are to see its relationship to new situations. Avoid unnecessary rote learning, since it does not foster transfer.

- Provide meaningful learning experiences that build students' confidence in their ability to transfer learning. This suggests activities that challenge them to exercise their imagination and ingenuity in applying their knowledge and skills.

- Use instructional material that helps form valid concepts and generalizations. Use materials that make relationships clear.

- Use modern teaching aids, such as multimedia, e-learning and more of animation and visuals to help retain more.

Employee Behaviour

There are some steps that an organisation can take to facilitate behavioural changes with their employees to reinforce positive behaviours while reducing those that are negative.

- **Be a coach**: Coaching is an ongoing and collaborative process that works at developing employees over time. It involves providing consistent feedback, which is communication intended to adjust behaviours. Employees will feel encouraged and supported by their company and manager.
- **Tackle One Issue at a Time**: Identify the main behaviour that you'd like altered, and work on that specifically. Behavioural change theories cite a variety of stages associated with a change, so it is important that your employees have ample time to go through each to make sure that any change becomes a permanent one.

- **Reinforce Positive Behaviours:** When you reward employees, you reinforce positive behaviours. When you notice a behaviour in your workplace that you

want to see more, be sure to acknowledge, recognize, and possibly reward it. Likewise, when an undesirable behaviour pops up, be sure to provide constructive and direct feedback right away so that your employee understands that it is wrong.

- **Inspire Your Employees:** One of the best ways to achieve behavioural changes amongst your employees is to inspire them. Inspiring an employee is essentially tapping into their passions and motivations at a deeper level, and this can be done by using inspirational language and sharing stories. Bringing in popular motivational speakers can be a great way to accomplish this task, these sessions can help to build self-esteem and confidence, leading to greater employee productivity.

- **Create Collective Goals: S**ometimes changing employee behaviour is best done when working with your entire team rather than an individual. You should be sure to set clear goals for your entire workforce that will guide all of your employees to act out positive behaviours.

CAIIB HRM Module C Unit 2- Employee Motivation

Motivation

- Motivation is the psychological feature that arouses an organism to action toward a desired goal; the reason for the action and one that gives purpose and direction to behaviour. One of the most important factors that lead one to their goals is the drive.
- Motivation has been defined as the psychological process that gives behaviour purpose and direction (**Kreitner, 1995);** a predisposition to behave in a purposive manner to achieve specific, unmet needs (Buford, Bedeian, & Lindner, 1995); an internal drive to satisfy an unsatisfied need **(Higgins, 1994**); and the will to achieve (**Bedeian, 1993).**
- The earlier views on human motivation were dominated by the concept of **hedonism w**hich means the idea that people seek pleasure and comfort and try to avoid pain and discomfort.

Types of Motivation

Motivation can be intrinsic or extrinsic.

Intrinsic Motivation

Intrinsic motivation comes from rewards inherent to a task or activity itself – the enjoyment of a puzzle or the love of playing.

Research has found that it is usually associated with high educational achievement and enjoyment by students who are likely to be intrinsically motivated if they:

- Attribute their educational results to internal factors that they can control (e.g., the amount of effort they put in),
- Believe they can be effective agents in reaching desired goals (i.e., the results are not determined by luck)
- Are interested in mastering a topic, rather than just rote-learning to achieve good grades.

Extrinsic Motivation

- Extrinsic motivation comes from outside of the performer. Money is the most obvious example, but coercion and threat of punishment are also common extrinsic motivators. Competition is in general extrinsic because it encourages the performer to win and beat others, not to enjoy the intrinsic rewards of the activity.
- Social psychological research has indicated that extrinsic rewards can lead to over justification and a subsequent reduction in intrinsic motivation.
- The role of extrinsic rewards and stimuli can be seen in the example of training animals by giving them treats when they perform a trick correctly. The treat motivates the animals to perform the trick consistently, even later when the treat is removed from the process.

Motivating Different People in Different Ways

	Intrinsic		Extrinsic	
	Expressive	*Achievement*	*Social*	*Instrumental*
Characteristics	Interest for its own sake: satisfaction derived directly from understanding/skill.	Desire to succeed: "I'm not going to let this beat me": mastery represents something important	In order to gain social acceptance, either within the class/course etc. "Pleasing teacher" or being one of the in-crowd, or outside.	In order to gain a tangible reward or avoid negative consequences. Can develop into more significant commitment.
Strengths	Enthusiasm, commitment.	Commitment.	Co-operation if class-oriented.	Achievement rests on strict criteria of "relevance".
Weaknesses	May get "carried away": lose sight of wood for trees.	Potentially fickle What the learning represents to the student may not be the same as what it represents to you.	May concentrate on the appearance of achievement to the detriment of "deep" learning. Social aspirationsmay change.	Aspirations may be met in other ways. Anxiety may impede learning.

Importance of Employee Motivation

- It creates positive atmosphere in the organization.
- It nurtures happy and productive employees.
- It also ensures clients are happy.
- Achieves better results.
- It requires less supervision.

Motivational Theories

The Incentive Theory of Motivation

- A reward, tangible or intangible, is presented after the occurrence of an action (i.e., behaviour) with the intent to cause the behaviour to occur again. This is done by association of positive meaning to the behaviour.
- Studies show that if the person receives the reward immediately, the effect would be greater, and decreases as duration lengthens.
- Repetitive action-reward combination can cause the action to become a habit. Motivation comes from two sources: inner self, and other people which are termed as **Intrinsic Motivation' and 'Extrinsic Motivation'**, respectively.

Maslow's Need Hierarchy Theory

The theory can be summarized as follows:

- Human beings have wants and desires which influence their behaviour. Only unsatisfied needs influence behaviour, satisfied needs do not.
- Since needs are many, they are arranged in order of importance, from the basic to the complex.
- The person advances to the next level of needs only after the lower level need is at least minimally satisfied.
- The further the progress up the hierarchy, the more individuality, humanness and psychological health a person will exhibit.

Herzberg's Two-Factor Theory

- Frederick Herzberg's two -factor theory or intrinsic/extrinsic motivation, concludes that certain factors in the workplace result in job satisfaction, but if absent, lead to dissatisfaction. The factors that motivate people can change over their lifetime, but "respect for me as a person" is one of the top motivating factors at any stage of life.
- He distinguished between: **a) Motivation; (e.g., challenging work, recognition, responsibility)** which give positive satisfaction, and **b) Hygiene factors; (e.g., status, job security, salary and fringe benefits)** that do not motivate if present, but, if absent, result in demotivation. The name Hygiene factors is used because, like hygiene, the presence will not make you healthier, but absence can cause health deterioration.
- The theory is sometimes called the **"Motivator-Hygiene Theory" and/or "The Dual Structure Theory."** Motivation Factors are Intrinsic Factors that will increase employees' job satisfaction; while Hygiene Factors are Extrinsic Factors to prevent any employees' dissatisfaction.
- According to this theory, extrinsic factors are less to contribute to employees' motivation need. The presence of these factors were just to prevent any dissatisfaction to arise in their workplaces. **Extrinsic Factors, which are also known as job context factors.** These factors serve as guidance for employers in

creating a favourable working environment where employees feel comfortable working inside.

- Intrinsic Factors are the actually factors that contribute to employees' level of job satisfactions. **Intrinsic Factors has widely being known as job content factors** which aims to provide employees meaningful work that is able to intrinsically satisfy themselves by their works outcomes, responsibilities delegated experience learned, and achievements harvested. Intrinsic Factors will propel employees to insert additional interest into their job. When employees are well satisfied by motivational needs, their productivity and efficiency will be improved.

Alderfer's ERG Theory

- Clayton Adler, expanding on Maslow's hierarchy of needs, created the **ERG theory (existence, relatedness and growth)**.
- Physiological and Safety, the lower order needs, are placed in the existence category, while love and social needs are placed in the relatedness category. The growth category contains our self- actualisation and self-esteem needs.

In contrast to the need hierarchy theory of Maslow, the ERG theory demonstrates that:

- ➢ more than one need may be operative at the same time, and
- ➢ If the gratification of a higher level need is stifled, the desire to satisfy a lower level need increases. ERG theory does not assume a rigid hierarchy where a lower need must be substantially gratified before one can move on to other higher order need/s. A person can, for instance, be working on growth even though existence orrelatedness needs are unsatisfied; of all three need categories could be operating at the same time.

Self-determination Theory

- This theory, developed by **Edward Deci and Richard Ryan**, focuses on the importance of intrinsic motivation in driving human behaviour. This theory posits a natural tendency toward growth and development.
- Unlike other theories, however, this does not include any sort of "**autopilo**t" for achievement, but instead requires active encouragement from the environment. The primary factors that encourage motivation and development are autonomy, competence, feedback, and relatedness.

Douglas McGregor's Theory X and Theory Y

Theory X Assumptions:

- The average human being is inherently lazy by nature and desires to work as little as possible. He/ she dislikes the work and will like to avoid it, if he/she can.

- He/she avoids accepting responsibility and prefers to be led or directed by some other.

- He / she is self-centered and indifferent to organisational needs.

- He/she has little ambition, dislikes responsibility, prefers to be led but wants security.

- He/she is not very intelligent and lacks creativity in solving organisational problems.

- He/she by nature resists to change of any type.

As per Theory X, management style requires close, firm supervision with clearly specified tasks and the threat of punishment or the promise of greater pay as motivating factors. A manager working under these Assumptions will employ autocratic controls which can lead to mistrust and resentment.

Theory Y Assumptions:

- Work is as natural as play, provided the work environment is favourable. Work may act as a source of satisfaction or punishment. An average man is not really against doing work.

- People can be self-directed and creative at work if they are motivated properly.

- Self-control on the part of people is useful for achieving organisational goal. External control and threats of punishment alone do not bring out efforts towards organisational objectives.

- People have capacity to exercise imagination and creativity.

- People are not by nature passive or resistant to organisational needs. They have become so as a result of experience in organisations.

In The Human Side of Enterprise McGregor recognised that Theory Y was not a panacea for all ills. By highlighting Theory Y, he hoped to persuade managers to abandon the limiting assumptions of Theory X and consider using the techniques suggested by Theory Y.

Cognitive Theories of Motivation

Edwin Locke's Goal-Setting Theory

- Goal-Setting Theory is based on the notion that individuals sometimes have a drive to reach a clearly defined end state. Often, this end state is a reward in itself. A goal's efficiency is affected by three features: **proximity, difficulty and specificity.** Feedback is an important part of this theory.
- An ideal goal should present a situation where the time between the initiation of behaviour and the end state is close. A goal should be moderate, not too hard or too easy to complete. In both cases, most people are not optimally motivated, as many want a challenge (which assumes some kind of insecurity of success). At the same time people want to feel that there is a substantial probability that they will succeed. Specificity concerns the description of the goal. The goal should be objectively defined and intelligible for the individual.

Unconscious Motivation

- Unconscious Motivation refers to hidden and unknown desires that are the real reasons for things that people do. Some psychologists believe that a significant portion of human behaviour is energised and directed by unconscious motives.

- According to Maslow, "**Psychoanalysis has often demonstrated that the relationship between a conscious desire and the ultimate unconscious aim that underlies it need not be at all direct**." In other words, stated motives do not always match those inferred by skilled observers. For example, it is possible that a person can be accident-prone because he has an unconscious desire to hurt himself and not because he is careless or ignorant of the safety rules.
- Unconscious motives add to the hazards of interpreting human behaviour and, to the extent that they are present, complicate the life of the administrator. On the other hand, knowledge that unconscious motives exist can lead to a more careful assessment of behavioural problems.

Intrinsic Motivation and 'The 16 Basic Desires Theory'

Intrinsic motivation refers to behaviour that is driven by internal. Professor Steven Reiss has proposed a theory that finds 16 basic desires that guide nearly all human behaviour. *The desires are:*

- Acceptance, the need for approval
- Curiosity, the need to think
- Eating, the need for food
- Family, the need to raise children
- Honor, the need to be loyal to the traditional values of one's clan
- Idealism, the need for social justice
- Independence, the need for individuality
- Order, the need for organised, stable, predictable environments
- Physical Activity, the need for exercise
- Power, the need for influence of will
- Romance, the need for sex
- Saving, the need to collect
- Social Contact, the need for friends (peer relationships)
- Status, the need for social standing/importance
- Tranquility, the need to be safe
- Vengeance, the need to strike back

In this model, people differ in these basic desires. These basic desires represent intrinsic desires that directly motivate a person's behaviour, and not aimed at indirectly satisfying other desires.

Vroom's Expectancy Theory

- Vroom's Expectancy theory advocates that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual.
- Expectancy theory says an employee is motivated to exert a high level of effort when he or she believes effort will lead to a good performance appraisal; a good appraisal will lead to organisational rewards like a bonus, a salary increase, or a promotion; and the rewards will satisfy the employee's personal goals.

The theory, therefore, focuses on three relationships:

- **Effort-performance relationship (Expectancy):** The probability perceived by the individual that exerting a given amount of effort will lead to performance.

> **Performance-reward relationship (Instrumentality):** The degree to which the individual believes that performing at a particular level will lead to the attainment of a desired outcome.
> **Rewards-personal goal relationship (Valence):** The degree to which organisational rewards satisfy an individual's personal goals or needs and the attractiveness of these potential rewards for the individual.

Expectancy theory = Expectancy (E) * Instrumentality (I) * Valence (V)

Pygmalion Effect

- This shows the relationship between positive expectations and positive result. If the boss considers the employee a hard-working person, then that employee will try to fulfil the expectations of the boss and will do hard work. This is used to motivate the employees and imbibe positivity in them.

Employee Attitude Development

- Workers in any organisation need something to keep them working. Most times the salary of the employee is enough to keep him or her working for an organisation. However, just working for salary is not enough for employees to stay at an organisation.
- An employee must be motivated to work for a company or organisation. If no motivation is present in an employee, then that employee's quality of work or all work in general will deteriorate.

Employee Engagement

- 'Employee engagement' is the emotional commitment the employee has to the organisation and its goals. This emotional commitment means engaged employees actually care about their work and their company. They don't work just for a paycheck, or just for the next promotion, but work on behalf of the organisation's goals. When employees care—when they are engaged—they use discretionary effort. Engaged employees lead to better business outcomes.

The ten C's of employee engagement

> **Connect:** Leaders must show that they value employees.
> **Career:** Leaders should provide challenging and meaningful work with opportunities for career advancement.
> **Clarity:** Leaders must communicate a clear vision.
> **Convey:** Leaders clarify their expectations about employees and provide feedback on their functioning in the organisation.
> **Congratulate:** Leaders must convey their feedback on the good work
> **Contribute**: People want to know that their input matters and that they are contributing to the organisation's success in a meaningful way.
> **Control:** Employees value control over the flow and pace of their jobs
> **Collaborate**: When employees work in teams and have the trust and cooperation of their team members, they outperform individuals and teams which lack good relationships. Great leaders are team builders; they create an environment that fosters trust and collaboration.

> **Credibility:** Leaders should strive to maintain a company's reputation and demonstrate high ethical standards.

> **Confidence:** Good leaders help create confidence in a company by being exemplars of high ethical and performance standards.

Motivational Strategies-Seven Rules of Motivation

- **Set a major goal, but follow a path.** The path has mini goals that go in many directions. When you learn to succeed at mini goals, you will be motivated to challenge grand goals.
- **Finish what you start.** A half-finished project is of no use to anyone. Quitting is a habit. Develop the habit of finishing self-motivated projects.
- **Socialize with others of similar interest.** Mutual support is motivating. We will develop the attitudes of our five best friends. If they are losers, we will be a loser. If they are winners, we will be a winner. To be a cowboy we must associate with cowboys.
- **Learn how to learn.** Dependency on others for knowledge supports the habit of procrastination. Man has the ability to learn without instructors. In fact, when we learn the art of self-education we will find, if not create, opportunity to find success beyond our wildest dreams.
- **Harmonize natural talent with interest that motivates.** Natural talent creates motivation, motivation creates persistence and persistence gets the job done.
- **Increase knowledge of subjects that inspires.** The more we know about a subject, the more we want to learn about it. A self-propelled upward spiral develops.
- **Take risk.** Failure and bouncing back are elements of motivation. Failure is a learning tool. No one has ever succeeded at anything worthwhile without a string of failures

Pre-Requisites to Motivate Others

- We have to be motivated to motivate

- Motivation requires a goal

- Motivation once established, does not last if not repeated

- Motivation requires recognition

- Participation has motivating effect

- Seeing ourselves progressing motivates us

- Challenge only motivates if you can win

- Everybody has a motivational fuse i.e., everybody can be motivated

- Group-belonging motivates

Job Enrichment

- Job Enrichment is the attempt to build in to jobs a higher sense of challenge and achievement. The accumulation of achievement must lead to a feeling of personal growth accompanied by a sense of responsibility and should be distinguished from job enlargement which attempts to make a job more varied by removing the dullness associated with performing repetitive operations.
- A primary trait of job enrichment is autonomy, meaning that the employees has less responsibility to report on their work tasks to a supervisor. This frees him to focus more on their work, making decisions and working to accomplish company and career goals.
- In an enriched job the employees sets the deadlines and the quality standard they must meet and within that frame work plans the work schedule for the entire team.
- They holds themselves responsible both for meeting the deadline and for producing the required quality, and they does not pass their work on for others to judge until they are satisfied that it meets the standards.

From this theory Herzberg developed a set of principles for the enrichment of jobs as follows:

- ➤ Removing some controls while retaining accountability
- ➤ Increasing personal accountability for work
- ➤ Assigning each worker a complete unit of work with a clear start and end point
- ➤ Granting additional authority and freedom to workers
- ➤ Making periodic reports directly available to workers rather than to supervisors only
- ➤ The introduction of new and more difficult tasks into the job
- ➤ Encouraging the development of expertise by assigning individuals to specialized tasks.

Benefits of Job Enrichment

- It benefits employee and organization in terms of increased motivation, performance, satisfaction, job involvement and reduced absenteeism.
- Additional features in job meet certain psychological needs of jobholders due to skill variety, identity, significance of job, etc
- It also adds to employee self-esteem and self-control.
- Job enrichment gives status to jobholder and acts as a strong satisfier in one's life.
- Job enrichment stimulates improvements in other areas of organisation.
- Empowerment is a by-product of job enrichment. It means passing on more authority and responsibility.

Demerits of Job Enrichment

- Lazy employees may not be able to take additional responsibilities and power. It won't fetch the desired results for an employee who is not attentive towards his/her job.
- Unions resistance, increased cost of design and implementation and limited research on long term
- Job enrichment itself might not be a great motivator since it is job-intrinsic factor.
- Job enrichment assumes that workers want more responsibilities and those workers who are motivated by less responsibility, job enrichment surely de-motivates them.
- Workers participation may affect the enrichment process itself.
- Change is difficult to implement and is always resisted as job enrichment brings in a changes the responsibility.

Limitations of Job enrichment

- **Technology:** There are some jobs, which are highly technical requiring a special range of skills where it would be difficult to enrich such jobs.
- **Cost:** Though a great many companies appear to be interested in job enrichment programs, the extra cost may seem high if a company is not convinced that the return will at least offset the incremental expenditure.
- **Attitude of managers and workers:** As lack of interest in doing something different or plain laziness to take on an enlarged role act as deterrents.
- **Reaction of union Leaders:** There has been little or no support of job enrichment by union Leaders. As they could later on be held responsible if better efficiency levels result in loss of jobs.

Job Enlargement

- **Job enlargement** is a job design technique wherein there is an increase in the number of tasks associated with a certain job. It means increasing the scope of one's duties and responsibilities. The increase in scope is quantitative innature and not qualitative and at the same level.

- It is also known as horizontal loading in that the responsibilities increase at the same level and not vertically.

Benefits of Job Enlargement

- Task Variety
- Meaningful Work Modules
- Full Ability Utilization
- Worker Paced Control
- Meaningful Performance Feedback

Disadvantages of Job Enlargement

- High Training Costs
- Redesigning existing work system required
- Productivity may not increase necessarily
- Workload increases
- Unions demand pay-hike
- Jobs may still remain boring and routine

Job Rotation

- Job rotation can be defined as lateral transfer of employees among a number of different positions and tasks within jobs where each requires different skills and responsibilities.
- Individuals learn several different skills and perform each task for a specified time period. Rotating job tasks helps worker understand the different steps that go into creating a product and/or service delivery, how their own effort affects the quality and efficiency of production and customer service, and how each member of the team contributes to the process. Hence, job rotation permits individuals to gain experience in various phases of the business and, thus, broaden their perspective.
- Job rotation is a process which enables individuals to know and work beyond their domain and also gain from other team members' expertise and knowledge.

Disadvantages of Job Rotation

- Lot of time as well as effort go in motivating and persuading employees for job rotation.
- Individuals take some time to acquaint to a new process, set up, be friendly with other employees.
- Job rotation also leads to stress and anxiety among employees.
- It does not take into account the time wasted in training.
- Sometimes, employees even after working for few months, in another department hardly learn anything. All efforts go waste when the end result is a zero.

Job Satisfaction

- **'Job Satisfaction'** as any combination of psychological, physiological and environmental circumstances that cause a person truthfully to say I am satisfied with my job. According to this approach although job satisfaction is under the influence of many external factors, it remains something internal that has to do with the way how the employee feels. It could be be associated with a personal feeling of achievement, either quantitative or qualitative.

- Job satisfaction is a result of employees' perception of how well their job provides those things that are viewed as important. **There are three important dimensions to job satisfaction.**
  - ➤ **First**, job satisfaction is an emotional response to a job situation.
  - ➤ **Second**, job satisfaction is often determined by how well outcomes meet or exceed expectations.
  - ➤ **Third**, job satisfaction represents several related attitudes.

Triggers of Job Satisfaction

- **Need Fulfillment:** These models propose that satisfaction is determined by the extent to which the characteristics of a job allow an individual to fulfill his or her needs.
- **Exceeding the expectations:** These models propose that satisfaction is a result of met expectations. This model predicts that individual will be satisfied when he or she attains outcomes above and beyond expectations.
- **Value Attainment:** Satisfaction results from the perception that a job allows fulfillment of an individual's important work values. Managers can thus enhance employee satisfaction by structuring the work environment and its associated rewards and reinforce employees, values.
- **Treatment of 'Equity & Justice':** In this model, satisfaction is a function of how fairly an individual is treated at work. Satisfaction result from ones perception that work outcomes, relative to inputs, compare favorably with a significant other outcomes/inputs.
- **Dispositional/Genetic Components:** This model is based on the belief that job satisfaction is partly a function of both personal traits and genetic factors. It implies that stable individual differences are important in explaining job satisfaction.

Determinants of Job Satisfaction

- **Supervision:** Empirical studies reveal the close supervision breeds dissatisfaction among the workforce. Hence, the superiors should allow sufficient freedom at work and the supervision should be in a way of motivating the employee but not to highlight his/her mistakes.
- **Well-knit Co-Workers:** One's associates with others had frequently been motivated as a factor in job satisfaction. The workers derive satisfaction when the co-workers are helpful, friendly and co-operative.
- **Compensation/Pay:** Studies also show that most of the workers felt satisfied when they are paid more adequately to the work performed by them. However, in banks where the basic needs like compensation is adequately taken care off, as per the **Maslow Theory of 'Need Hierarchy'**, the employees seeks to attain higher needs like – recognition, status, working conditions etc.
- **Education:** Studies conducted among various workers revealed that most of workers who are low educated showed higher satisfaction level. However, educated workers felt less satisfied in their job. But in the context of Banks, it has not been proved conclusively.
- **Working Conditions:** The result of various studies shows that working condition is an important factor. Good working atmosphere and pleasant surroundings help to enhance their job satisfaction thereby increasing the productivity.

CAIIB HRM Module C Unit 3- Employee Development

Employee Development

Employee development also includes upskilling of employees to take up new roles. It prepares them to face the challenges of future. It also encompasses creating and retaining talent.

The methods of employee development include:

- Training
- Coaching
- Mentoring
- Job Rotation / On the Job training
- Simulation
- Self study

Basic Objectives of 'Training'

The broad objectives of Training in any Organization are as under:

- **Enhancing employee competencies:** A systematic, planned training programme helps the employees to improve their knowledge, skill abilities. By participating in training programmes, workshops, employees can enrich their knowledge, they can interact with the trainer to get more insights and share views with co-participants so as to remove wrongful, rigid perceptions and also can strengthen their abilities.

- **Easy induction to new entrants:** Training makes the new entrants effective by imparting skill, knowledge, right-sizing their attitudes, beliefs, mindset, perceptions, beliefs, acquaintance with company policies, norms, rules, adjusting to the new environment, culture of the organisation.

- **Helps in Employee-growth opportunities:** Training helps the employees to enhance their career growth opportunities alongside the organisation as the necessary input requiring for job performance in changing scenario, is provided to the trainees.

- **Enhancing the customer-delight:** Training makes the employees aware of rending customer satisfaction and delight alongside rightsizing the attitudes and behaviours

- **Acceptance of change:** Training changes the mindset of the people appropriately to accept changes the management introduce from time to time commensurating the demands.

- **Nurturing Talent pipeline and a band of committed and loyal workforce:** Training makes the people knowledgeable, skilled, competent, provides ample opportunity to utilize latent/potential areas of the people, make the people know about rules, regulations. Philosophy, policies of the organisation.

- **Reduction of absenteeism, employee turnover rate and increase of productivity:** Tailor made programmes are designed with the overall objective of making the people know about the evil effect of absenteeism, necessity of

increasing production and productivity, different schemes of the organisation for providing welfare benefit, social security to reduce employee turnover rate.

- **Developing proactive capabilities:** Training improves knowledge, skill and competencies of the people to identify/predict the probable issues/problems to be confronted in near future and to develop proactive capabilities to face the challenges.

- **Turning the people constantly dynamic:** Training is such a mechanism that makes the people constantly dynamic so that they can get attune to the changes that are taking place with the pace of market moves.

- **Uninterrupted Industrial/business activity:** Training prepares the people to perform the job of higher responsibility So, organisational activities are not affected in a situation when higher posts crop up vacant due to retirement, death, resignation etc.

Principles Governing Training Function in Banks

- Training should be motivating in the sense that training strategy should serve as an encouraging tool for employees to own the responsibility of learning and enhance their skills, knowledge and attitudes
- Training should be purposeful and need-based as also relevant to the organisational and individual needs
- Training should be based on tested principles of learning
- Training should be conducted in the actual job environment to the maximum possible extent so as to make it more effective
- Training should emerge as an effective tool for judging the suitability for promotions, transfers and also for periodical review of performance of individuals
- Training should drive the bank towards transforming it as a 'Learning Organisation'
- Training should be viewed as an investment in HR with a promise of better returns in future.

Need for Training and Development

The following are the two biggest factors that contribute to the increased need to training and development in organisations:

- **Change:** The word change encapsulates almost everything. It is one of the biggest factors that contribute to the need of training and development. Change leads to the need for training and development and training and development leads to individual and organisational change, and the cycle goes on and on. More specifically it is the technology that is driving the need; changing the way how businesses function, compete and deliver.
- **Development:** It is again one the strong reasons for training and development becoming all the more important. Money is not the sole motivator at work. People who work with organisations seek more than just employment out of

their work; they look at holistic development of self. Spirituality and self-awareness for example are gaining momentum world over. People seek happiness at jobs which may not be possible unless an individual is aware of the self.

Differences Of 'Training', 'Development' And 'Learning'

Training

- **Training refers to the process of imparting specific** skills. Training is an organisational process where the **skills, knowledge and attitudes** are imparted to do a particular job. An employee undergoing training is presumed to have had some formal education. No training program is complete without an element of education.

Development

- Development means those learning opportunities designed to help employees to grow. Development is not primarily skills oriented. Instead it provides the **general knowledge and attitudes**, which will be helpful to employers in higher positions. Efforts towards development often depend on personal drive and ambition.

- Development provides knowledge about **business environment, management principles and techniques, human relations, specific industry** analysis and the like is useful for better management of a company.

- Training refers to the process of imparting specific skills. Development consists of the learning opportunities designed to help employees to grow. Development is not primarily skill oriented, instead it provides the required knowledge and attitudes, which will be helpful to **employees at all levels, especially with regard to their career advancement.**

Training	Development
Training is organisation-related skill focused.	Development is creating learning abilities.
Training is presumed to have a formal education.	Development is not education dependent.
Training needs depend upon lack or deficiency in skills.	Development depends on personal drive and ambition.
Trainings are generally need based.	Development is voluntary.
Training is a narrower concept focused on job related skills.	Development is a broader concept focused on personality development.
Training may not include development.	Development includes training wherever necessary.
Training is aimed at improving job related efficiency and performance.	Development aims at overall personal effectiveness including job efficiencies.

Learning

- **'Learning; can be defined as a human process by which skills, knowledge, attitudes/habits** are acquired and utilized to modify the bahaviours. Hence, Training will be useful in the context of organisation whereas Learning is useful

for personal growth in terms of personality development, rightsizing the bahaviours, acquitting new attitudes, besides career growth in the organisation in terms of acquiring new skills and knowledge that are required to perform his/her job.

*   The organisations are aiming to ensure that their employees have long term impact of their training both in organisational context as well as in their personal front. It is in this context, the organisations are re-terming their '**Training & Development' function as 'Learning & Development'** in order to give impetus to their endeavour and also to reflect their objective of making Training a meaningful tool to reform the employees for the mutual benefits of employees themselves and also to the organisation.

'Training Need': Methods For Identification Of Training Needs

*   **Training Need** can be defined as the difference between the standard performance and the actual performance of the concerned employee. An individual needs training when his or her performance falls short of standards, that is, when there is a performance deficiency. Inadequacy in performance may be due to lack of skill or knowledge or any other problem.

*   Assessment of training needs occurs at the group level also. Any change in the organisation's strategy necessitates training of group of employees. For example, when the organisation decides to introduce a new line of products, sales personnel and production workers have to be trained to produce, sell and service the new products.

*   **Individual Training Needs Identification** is made from performance appraisals, interviews, questionnaires, work samples, rating scales, employee engagement surveys, training feedback as well as periodic demands made by field functionaries.

*   **Group Level Training Needs** are identified from organisational goals and objectives, personnel/skills inventories, organisational climate indices, efficiency parameters, exit interviews, customer satisfaction surveys and analysis of current and anticipated changes.

Role And Impact of Training

*   Given the vast range of skills and other competencies which can be developed in people it is useful for some sort of prioritizing to take place so that training focuses on the areas **which will yield best benefit, and the return on investment gets justified.**

*   General benefits from employee Training and Development include increase in efficiency, improved morale among employees, better human relations, reduced supervision, increased organisational viability and flexibility, better efficiency in work processes leading to financial gains to organisation, increased capability to adopt new technologies and business lines, reduced employee turnover, improved organisational visibility and image building etc.

Things to be kept in mind while imparting Training to employees:

➢   Ensure to have sufficient knowledge about what employees need and want.

➢ Appropriate steps taken to build relations before training.
➢ Build trust and feeling of being safe to talk about one's problems.
➢ Emphasis on how to bring about change rather than on knowledge inputs.
➢ Sufficient time – to be devoted to the programs.
➢ To ensure ideal trainee trainer ratio.
➢ To leverage participant's work experience to ensure better reachability of training among the participants.

Changing Face of Banking In India

- The Indian financial sector is undergoing rapid changes. Structural reforms aimed at improving the productivity and efficiency of the economy are apace. The most important factor shaping today's world is globalisation. Companies are constantly in search of low-cost markets. Technology is driving growth in production and productivity and competition is stiff.

- Rapid development in communication technology has led to greater integration of **global financial markets, in turn, boosting private capital flows and foreign direct investment.** Another factor is the increasing share of emerging market economies in world trade, added to which is the increase in volatility and vulnerability of markets. This calls for the adoption of international standards and global benchmarks.

Aligning with Global Standards

- To strengthen India's banking system in an increasingly competitive environment and guard against financial fragility, financial sector reforms were initiated as part of the economic reforms launched in the country since 1991–92. Significant progress has been made in the past few years to bring the Indian Banking system closer to international standards.

- India has adopted international prudential norms and practices with regard to capital adequacy, income recognition, provisioning requirement and supervision and these norms have been progressively tightened over the years. Rates in various segments of financial markets have been deregulated in a phased manner.

- In the area of supervision, the **Basel core principles for effective banking supervision** are being followed. Along with off-site surveillance there is periodic on-site monitoring of the risk profile of banks and their compliance with prudential guidelines. The Reserve Bank of India's regulatory and supervisory responsibility has been widened to include banking institutions and non-banking financial companies.

- On the HR front, a major shift has taken place with regard to the freeze on recruitment. With the abolition of the BSRB, banks now have the freedom to recruit staff on their own and also invite professionals to join them at lateral, higher levels.

- There is special focus on corporate governance and the setting up of specialized board-level panels such as the executive, risk management, audit, compensation, asset-liability management committees, and so on.

- The **RBI's Standing Committee on International Financial Standards and Codes under the Chairmanship of Dr Y. V. Reddy** has identified global standards and codes as part of the efforts to create a sound financial architecture aligned with global practices.

Banking Operations

- In response to the changing environment, banks today are pursuing strategies that aim to strengthen their ability to perform various financial functions – business planning for their retail **customers, raising capital for the mid-market segment, tax-related services, selling mutual funds and insurance, a**mong other things.

In the process, banks are changing their organisational architecture that basically involved three things:

➢ Centralization of certain functions like payment and settlement mechanisms, credit processing of even small businesses
➢ Marketing and
➢ Performance-evaluation based compensation systems of their employees and managers.

Changes Emerged/Emerging in Other Business Segments in Banks

- Measures initiated by the Government encompass – **restructuring of PSUs, medium term fiscal consolidation through expenditure control, downsizing the governmental organisations, gradual consolidation of Banking Sector, reduction of Government's major stake in State-Owned Banks, etc**., the Government is determined to bring the Indian economy to the level of international standards under the growing pressures from within and outside.

- The enactment of **Securitization Act** which eases out the problems of the banks in smooth takeover of the assets of loan defaulters without the intervention of the courts and legal framework, truly manifests the Government's committed resolve towards revitalizing the Banking Industry to make it internationally competitive unmindful of its political consequences.

- Further, the expeditious measures taken by the Reserve Bank of India in furtherance of the liberalization measures initiated by the Government of India viz., **gradual reduction in Bank rate, substantial cut in CRR in phases, deregulation of interest rates by leaving enough freedom to the individual banks to fix the interest rates on their own, full disclosure, introduction of tighter prudential norms, introduction of internationally acclaimed ALM and Risk Management systems, renewed emphasis on recovery of NPAs, etc**., have supplemented to the efforts of the individual Banks in improving their operational efficiency.

- The customer is gaining more and better acceptance in the competitive environment. **ATMs, Mobile ATMs, Credit and Debit cards, Any-Where & Any-time Banking, Tele & Inter-net Banking, Wire-less & Mobile banking,**

renewed emphasis on retail banking through various credit schemes in a bid not only to sustain and survive but also to grow and compete in the volatile competitive environment.

- The emerging concepts of **'Customer Relationship Management (CRM)', Customer Call Centers (CCC) and Customer Care Centers (CCC),** etc., in the Banking horizon are enough testimony to the growing focus on the Customer and his needs amidst the ever-increasing competition.

- In order to maximize the benefits of technology absorption amidst the growing pressure for improved productivity with 'lean and meaningful' manpower profiles, the Banks have embarked upon **Centralized Core Banking Solutions (CBS)** which involves complex process and huge capital investment.

- In order to attain the objectives of **Corporate Governance**, which is gaining ground slowly but steadily in Banking Sector, and in a bid to transform the traditional Banks in to modern ones, the professionally qualified people from all walks of life, are being inducted in the Boards of the Banks who can have access to the accurate, relevant and timely information on the affairs of the Banks. This induction of professionalism in the Board's functioning will have direct bearing on the HR functions of the Banks and as such, the managements need to be more responsive to the growing demands and directive principles of the Board.

- Government of India's initiative taken during 2016 on demonetization of higher denomination currency notes and giving a considerable push for digital transactions thereby inculcating the **'less-cash transactions'** in the society – are worth to be quoted. Further, introduction of **'Goods & Services Tax (GST)'** on the theme of 'One Nation – One Tax' is yet another initiative of the Government of India, which has changed the outlook of the business.

Future of Indian Banking

- The Indian banks have identified the growth potential of the GenNext and are already providing schemes especially keeping in mind the requirements and preferences of the younger generation.

- Banks also provide facilities like **internet banking, tele-banking** etc. recognizing that the younger generation is much more tech-savvy and believe in saving time and energy by using technology. Banks are also **opening exclusive branches for GenNext,** which cater to all the aspects of banking for the young population. The various dimensions of GenNext banking will have a profound impact on information database, behavioural patterns as well as the very concept of relationship building.

- With the second dose of bank licensing, Reserve bank of India has accorded license to open certain new Banks due to which the way of doing business is all set to change to a new level.

Future of Bank Education in India

- It is now commonplace to say that the 21st Century will be the **"Knowledge Century"** and we are transiting from product-based to **knowledge-based economy.** The knowledge economy – an economy in which Wealth is based upon the ownership of knowledge and the ability to use that knowledge to create or improve goods and services – presents significant challenges.
- The transformation of banking caused by the rapid development of information and communication technologies has provided banking entities with new ways of bringing their products to the customers. The banks would now have to increasingly deal with knowledge workers i.e. one who works primarily with information and uses knowledge in the work place. Traditional banking has thus changed into electronic banking, and therefore the standard form of contact – personal contact – is taking a back seat to new, faster, more conformable, and cheaper means of communication.
- **Focusing on enriching human capital** will help the banking sector become competitive and efficient. This sector needs to fundamentally strengthen institutional skill levels especially in sales and marketing, service operations, risk management and the overhaul the organisational performance ethic.
- Strengthening human capital will be the single biggest challenge. The older employees will either fade away or get equipped with some of the skills needed for the new banking while the younger employees of the newer and PSU banks would come with a different set of capabilities, which need to be channelised the right way through training and periodic refresher programs.
- In the field of the **knowledge economy**, the re-orientation in banking is required at two levels. The first is the field of banking management, the continuous improvement of which relates mainly to expanding the use of information technologies and knowledge systems.
- This will involve, above all, support for financial system management, internal quality management systems in banks, interactive payment systems, and management information systems. All these will need strengthening through a series of well-designed training programs, to be conducted by experts in the respective fields.

Changing Role of Training and Education in Banks

- The approach of Training strategy should be three-tiered, i.e., **it should impart required knowledge, harness skills and imbibe positive attitudes** among the work force. There is a direly felt need on the part of the banks to create proper atmosphere in which the workforce can own the responsibility of learning and acquiring new traits.
- **E-Learning: 'Knowledge Transfer'** is the new mantra that is gaining more acceptance than the traditionally accepted definition of '**education'. Classrooms today, transcend limitations of time, space, race and language**. The Internet has revolutionized the concept of distance education. However, there are certain factors that differentiate the good and the better from the mediocre and the average.

- **Knowledge Transfer in the Banking Industry:** In a country like India, where the sheer volume of people, the expanse of regions and the diversity of languages exists, this new medium of learning holds immense promise
  - ➢ For instance, the banking industry – A vertical segment, where timely adoption of technology plays a critical role in deciding the leader and the laggard. With an employee base from different streams of education and walks of life, it becomes imperative to enhance the awareness and transfer of technology in an easy and efficient manner.
  - ➢ The changing face of technology being used in our operations necessitates the need for a different and more enlightened view on training. The need to transform into a learning organisation is more apparent in today's dynamic environment.

CAIIB HRM Module C Unit 4- Training Methodology

Initiatives of the Government of India on Development of General Skills of Masses

- **First-ever Indian Institute of Skills:** The Government of India has laid the foundation stone of **'Indian Institute of Skills'** in the country in Kanpur on December 19, 2016. Ministry of Skill Development and Entrepreneurship in partnership with the Institute of Technical Education, Singapore, decided to open the Institute inspired by the Singapore model of Training. The Institute would adopt various best practices from the country.
- **Kaushal Pradarshini (Skill Exhibition) for the youth of Uttar Pradesh:** The Government of India launched an array of skill development initiatives, including **Pradhan mantra Kaushal kendras (PMKKs) and Drivers' Training Institutes**. Ministry has decided to open 100 Driver Training Institutes all across India soon. National Skill Development Corporation (NSDC) has signed a MOU with OLA cabs which needs 1 lakh drivers.

- **IndiaSkills Competition – 2016: 'Skill India'** celebrated its first anniversary on 15th July 2016. To mark the day, the President of India has inaugurated the first edition of 'IndiaSkills Competition' on the occasion of World Youth Skills Day. IndiaSkills is a national competition steered by the **Ministry of Skill Development & Entrepreneurship (MSDE) and National Skill Development Corporation (NSDC)** to select the best talent who will lead India's participation at the biennial WorldSkills International Competition which is scheduled at Abu Dhabi in 2017.

- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY):** Launched on July 15, 2015 by the Government of India, PMKVY is the flagship outcome-based skill training scheme of MSDE. It is also India's largest skill certification scheme with the objective to enable and mobilize a large number of Indian youth to take up outcome-based skill training and become employable and earn their livelihood. Government has approved the scheme for another four years (20-16-2020) to impart skill training to 10 million youth of the country with an outlay of Rs.

12,000 crores. It is being implemented through **National Skill Development Corporation (NSDC).**

- **Pradhan Mantri Kaushal Vikas Kendras:** The Ministry of Skill Development & Entrepreneurship (MSDE) is also working towards the creation of PMKVKs under the 'Skill India Mission' of the Government of India. The target is to deliver training a minimum of 1 lakh candidates annually.

- **National Apprentice Promotion Scheme (NAPS):** NAPS is a new scheme of Government of India to promote apprenticeship training and increase the engagement of apprentices from present 2.3 lakh to 50 lakh cumulatively by 2020. The scheme focuses on sharing of 25% of prescribed stipend subject to a maximum of Rs. 1500/- per month per apprentice to all apprentices with the employers. It was notified on August 19, 2016. Government supports Rs. 7500 for a maximum of 500 hours for basic training.

- **Directorate General of Training (DGT), MSDE – Academic equivalence to ITI Course:** DGT, MSDE and National Institute of Open Schooling under Ministry of Human Development signed an MoU on July 14, 2016 to put in place a system for academic equivalence to ITI qualification and provide options to meet aspirations of those candidates of ITI system who want to attain higher academic qualification in addition to their skills.

Learning Organisations

- **'Organisational learning'** is a process of continuously redefining people's beliefs and perceptions about how things work. A **'Learning Organisation'** is an organisation which is not only skilled in creating, acquiring and transferring knowledge but also at modifying behaviour to reflect new knowledge and insights.

Essential Features of 'Learning Organisation'

- It is a place where high quality human learning goes-on on a continuous basis
- It is a different kind of social system than what has been the dominant concept of organisational theory
- It is an organisation that is organized beyond a stable state.
- The objective to transform is to learn and grow and change, as opposed to the traditional bureaucratic models of organisational structure.

- It is a place where the capacity to be creative and innovative is continuously expanding.

- It endeavours to unlearn old and obsolete knowledge and to acquire new knowledge and enhancing the existing knowledge.

- It creates open and frank communication channels – vertical, horizontal and cross-sectional – interdepartmentally and interpersonally.

- It is a place where the human being are encouraged to unveil their creative ideas and knowledge for its competitive advantage

- It disseminate learning and shared knowledge and vision throughout the organization.

- It keeps the company in a state of constant change.

- The ultimate objective of the Learning Organisation is to develop core competencies for forging ahead with change of times.

Training Methodology

On-the-Job Training Methods:

- On-the-job training methods emphasize on learning while an individual is actually engaged in work. There are several ways in which on-the-job training can be offered.

Coaching Method:

- A person can learn when he is put on a specific job. He/she can develop skills for doing the job better if he/she is given some guidance either in the form coaching or working as understudy.
- Coaching involves direct personal instructions and guidance usually with demonstration and continuous critical evaluation and correction. Under this method, the superior acts as a guide and coaches the trainee as to what he wants them to do, suggests how the work may be done, follow-up suggestions and corrects the mistakes.
- **Merits:** It implies learning by doing, it requires least centralised co-ordination from staff, immediate feedback and periodic evaluation enable the trainee to learn the job easily and without mistakes.
- **Demerits:** The trainer may impose upon the trainee his/her work habits, ideals, beliefs and methods of doing the work thus the trainee lacks innovative capabilities; The effectiveness of coaching methods depends on the ability of the trainer.

Understudy Method:

- This method is also known as **'attachment method'.** Under this method, a person is picked up and subjected to training so that he/she, in future, assumes the duties and responsibilities of the position currently held by his/her superior.
- **'Understudy' method** is aimed at providing a person who is going to replace the existing superior. A manager can pick up a subordinate and train him by assigning a project which is most closely related to the work of a superior.
- **Merits:** The learner's motivation and interest would be high, the superior may be relieved of heavy work load because he/she can delegate a part to the trainee, the trainee could develop necessary leadership qualities, this method ensures

continuity of managerial talent even when the superior leaves the department or organisation.

- **Demerits:** Breeds demotivation among other subordinates, if a wrong person is selected as trainee there are chances for doing unpardonable errors which may cost the organisation severely.

Mentoring Method:

- Mentoring is most often defined as a professional relationship in which an experienced person (the mentor) assists another (the mentee) in developing specific skills and knowledge that will enhance the less experienced person's professional and personal growth.
- The mentor does not evaluate the mentee with respect to his or her current job, does not conduct performance reviews of the mentee, and does not provide input about salary increases and promotions. This creates
- A safe learning environment, where the mentee feels free to discuss issues openly and honestly, without worrying about negative consequences on the job.

Coaching Method characteristics:

- ➤ Managers coach all of their staff as a required part of the job.
- ➤ Coaching takes place within the confines of a formal manager-employee relationship.
- ➤ Focuses on developing individuals within their current jobs.
- ➤ Interest is functional, arising out of the need to ensure that individuals can perform the tasks required to the best of their abilities.
- ➤ Relationship tends to be initiated and driven by an individual's manager.
- ➤ Relationship is finite – ends as an individual transferred to another job.

Mentoring Method characteristics:

- ➤ Takes place outside of a line manager-employee relationship, at the mutual consent of a mentor and the person being mentored.
- ➤ Is career-focused or focuses on professional development that may be outside a mentee's area of work.
- ➤ Relationship is personal – a mentor provides both professional and personal support.
- ➤ Relationship may be initiated by a mentor or created through a match initiated by the organisation.
- ➤ Relationship crosses job boundaries.
- ➤ Relationship may last for a specific period of time (nine months to a year) in a formal program, at which point the pair may continue in an informal mentoring relationship.

Job Rotation Method:

- In this method, a person is assigned jobs in various departments of the organisation at given intervals. The major objective of job rotation training is to broaden the skill base of the trainee.

- He/she can learn the working of various sections and departments of the organisation which helps in developing an integrated view of the organisational functioning and makes him/her more versatile and compatible.
- **Merits:** It brings new and innovative ideals at work place, it enhances the maturity and broadness in view which helps in taking fruitful decisions, it provides equal opportunities for all employees for their career development, it eliminates the chances of monotony, boredom and also vested interests, it provides a level playing field to test the talent, intelligence, abilities, attitudes etc. and promotes inter-departmental cooperation.
- **Demerits:** It involves frequent transfers which may cause problems and inconveniences for employees and organisation; in the initial time of learning in each job.

There may be chances for committing errors / mistakes; it may result in certain dysfunctional behaviours in terms of jealously, non-cooperation, friction within the departments.

Apprenticeship Programmes:

- Apprenticeship is like understudy in which the trainee is put under the supervision of a person who may be quite experienced in his field. Many organisations have to take trainees under Apprenticeship Act. Besides various organisations also take apprentices to fill their requirement of skilled personnel.

Special Projects:

- Under this method, a trainee executive is assigned a special project involving heavy responsibility. The trainee is expected to study the project, understand the problem issues and prescribe appropriate solutions and make recommendations on the viability of the project.

Committee Assignments:

- This is similar to the special project method. However, here the trainee executives become members of special committees designed to solve specific problems. The executives as a team study and discuss the problems assigned to it and submit the report containing various suggestions and recommendations.

Off-the-Job Training Methods:

- In off-the-job training method, a trainee has to leave his/her place of work and devote the entire time for training purpose. These methods can be followed either in the organisation itself or the trainee may be deputed to specialized institutions for undergoing training courses.

Case Study Method:

- Case study method of training has been developed by Harvard Business School of USA. This is one of the frequently employed methods of executive development.

- In this method of training, the trainees are given a business situation as a case to appraise and analyze it thoroughly. The trainees study the case and suggest solutions for the given problems under the case.
- Each member of the group is asked by the instructor to present his analysis and to comment on the analysis of others. At times, members are required to respond the queries of other members and instructors. This process helps to develop analytical skills among participants.

Role Playing:

- Role Playing technique of training is used in groups where various individuals are given roles of different managers who may be required to solve a problem or arrive at a decision.
- At the end of the role playing session, usually there is a critique session in which the trainees are given feedback about their role playing. This helps the trainee to develop better perspective in performing jobs.
- This method would be helpful in understanding human problems and conflict being encountered in a situation and provide an opportunity for the trainees to enhance their sensitivity, growth and human relations.

Management Games:

- Management Games refer to the classroom simulation exercises in which different teams consisting of individual executives are required to compete with one another in order to achieve a given objective.
- Here, an artificial atmosphere close to the real life situation is created in which the participant executives play a dynamic role and enrich their skills through involvement and simulated experience.
- The team usually consists of two or six members and each team takes decisions on level of production, level of inventory, price, expenditure on advertisement, marketing and the amount of expected profits under hypothetical conditions. The trainer gives the feedback to every Team after every period. In the light of this feedback, each team can evaluate its decisions and may modify them to arrive at better results.

In-basket exercises:

- In basket exercise is a simulation technique designed around the 'incoming mail' of a manager. One method of this exercise is to present mail of various types to a trainee in the order of priority i.e., as 'urgent', 'important', etc., where his reactions on these are noted.

Simulation:

- Simulation is a special training technique conducted on a duplicate environment which is a mock up a real life environment.
- Here, the essential features of a real-life situation in an organisation or activity are abstracted and presented before the executives. The executives then are

asked to assume different roles and asked to make decision that have a real effect in simulation and above which they receive rapid feedback.

- The results of those decisions are reported back to the trainee with an explanation of what would have happened had they actually been made in the workplace. The trainee learns from the feedback and improves his subsequent simulation and workplace decisions.
- Simulation is a useful technique of executive development because the decision taken are reversible (if they are wrong) and less costly to the organisation. One of the drawback of this technique is that it is difficult to emulate the real-life situation (especially the pressures and problems).

Brainstorming:

- Brainstorming is 'a conference technique by which a group attempts to find a solution for a specific problem by amassing all the ideas spontaneously contributed by its members. For conducting brainstorming, a group of 10 to 15 persons drawn from same level, is constituted. The brainstorm session is meant to be free, frank and relaxed one to generate maximum number of ideas irrespective of quality.
- Brainstorming has strong potential for developing creativity in participants because it provokes them to think without any constraints or limitations.

Sensitivity Training:

- Sensitivity training, also called T-group training. It is a Psychological technique in which intensive group discussion and interaction are used to increase individual awareness of self and others; a form of training with the goal of making people more aware of their own goals as well as their prejudices, and more sensitive to others and to the dynamics of group interaction.
- Sensitivity training offers several advantages in the field of human relations. That is why, it is also called as '**Human Relations Training'**. This may help people to develop better understanding of human problems. However, sensitivity training may create more harm specially if it is not conducted properly.

Transactional Analysis (TA)

- Transactional Analysis (TA) is generally used to develop better interpersonal interactions among individuals. It involves understanding of personality factors of individuals and their ego with which they interact.
- The study of these transactions between people is **called Transactional Analysis. Transactional Analysis (TA)** was originally developed by Eric Berne. As a theory of personality, TA describes how people are structured psychologically. It uses what is perhaps its **best known model, the ego-state (Parent-Adult-Child) model.**

The positions are stated as:

> **I'm OK and you are OK:** This is the healthiest position about life and it means that I feel good about myself and that I feel good about others and their competence.
> **I'm OK and you are not OK:** In this position I feel good about myself but I see others as damaged or less than and it is usually not healthy.
> **I'm not OK and you are OK:** In this position the person sees him/herself as the weak partner in relationships as the others in life are definitely better than the self. The person who holds this position will unconsciously accept abuse as OK.
> **I'm not OK and you are not OK:** This is the worst position to be in as it means that I believe that I am in a terrible state and the rest of the world is as bad. Consequently, there is no hope for any ultimate supports.

It is a theory of communication that can be extended to the analysis of systems and organisations.

In practical application, it can be used in the diagnosis and treatment of many types of psychological disorders and provides a method of therapy for individuals, couples, families and groups.

Outside the therapeutic field, it has been used in education to help teachers remain in clear communication at an appropriate level, in counseling and consultancy, in management and communications training and by other bodies.

The ego-state (or Parent–Adult–Child (PAC)) models

According to TA, there are three ego-states that people consistently use. These ego states are: **parent, adult and child**. Person of any age may have these ego states in varying degrees. A healthy person is able to move from one ego state to another. They are based on real world behaviour.

- **Parent Ego state:** a state in which people behave, feel, and think in response to an unconscious mimicking of how their parents (or other parental figures) acted, or how they interpreted their parent's actions. People of this state are responsible and caring.
- **Adult Ego state:** a state of the ego which is most like an artificially intelligent system processing information and making predictions about major emotions that could affect its operation. Learning to strengthen the adult is a goal of TA. While a person is in the adult ego state, he/she is rational, logical, flexible to change.
- **Child Ego state:** a state in which people behave, feel, and think similarly to how they did in childhood.

Contemporary Methods of Training

Internet as a Learning Medium:

- The Internet is being widely positioned as the next big thing in distance education, harnessing the power of multimedia to simulate classroom scenarios.

- Computer based training materials are mostly designed with basic knowledge transfer in mind. In the process, extraneous information is often left out in order to simplify the content. This approach would work well for the training of basic skills in areas of knowledge that are well defined and stable.

E-Learning:

- The same basic principles apply to designing self-study programs as to any other sort of training design. The internet enables self-study learning and development programs which have come to be accepted as more useful, empowering and cost-effective than ever before.
- With e-learning becoming the way of life for big and small companies, effective and robust interfaces are also required to ensure the system is robust, effective and dependable. Corporates expanding their geographic presence and increasing their headcount are looking at virtual universities to enhance employee knowledge.

Advantages:

- Convenience
- Ease of participation
- Easy Accessibility
- Flexibility
- Time-Management Skills
- Preferred Learning Methodology

Disadvantages:

- Absence of Face-to-face Interaction
- Compromised Communication Skills
- Potential Social Isolation
- Technical Setbacks

'Smart Phone': A modern gadget for effective Knowledge sharing and dissemination

➢ Traditionally, Knowledge Management (KM) in a business context focuses on offering organisations a pragmatic but formal approach to increase productivity, improve customer service and reduce human knowledge loss. However, legacy applications, for the most part, have shown signs over the years of too narrow functional footprints, lack of real integration with enterprise wide business systems, and weak and inflexible collaboration capabilities.

➢ The provision of employees with **'any time access'** to vital corporate information and documents is viewed as a Critical Success Factor (CSF) for maintaining or attaining competitive market or product advantage and market leadership.

- A challenge for technology executives is keeping employees pro-actively informed of mission-critical and apidly changing information all within a corporate control and information security approach. To address this need, companies are leveraging smart mobile devices to push critical information to employees in the field.
- They send information updates (trigged by specific events or activities) to individuals and provide documents through e-mail alerts and text messages with a link to the downloadable document. Videos, presentations and audio clips are also distributed.

KM & Mobile Value Proposition:

The key benefits generally realized from KM mobile use include:

- Increase relevant information and knowledge access for immediate decision-making by employees, customers, and partners.
- Facilitate collaboration and knowledge-sharing among business groups.
- Retain and enrich institutional knowledge as intellectual property.
- Overcome organisational and geographical boundaries to conducting business.
- Shorten cycle time for mission-critical processes thereby increasing employee productivity.

Current Trends in Training

Training Outsourcing

- Till recently most PSU and old private banks did not outsource training, but with the new generation banks using better technology and more specialized trainers through outsourced agencies, has forced a rethinking.
- While the advantages of using external faculty are obvious, many a time such training tend to be rather impersonal as the trainer, not being familiar with the given bank's practices as also its culture, completes a session with a generalized approach making no reference to the specific practice followed by that particular bank. Again, any follow up action is not possible as he has no reason to interact with the trainees unlike an internal trainer who keeps interacting with the staff on a regular basis.
- Indian companies are using latest technologies to train and re-skill employees, which are proving to be more cost-effective, flexible and convenient compared to traditional methods.

Types of Training

Induction

- Because effective talent management starts with an employee's first day on the job, organisations should fine tune their induction process by incorporating programs that specifically address generational differences.
- Older workers, for example, may not be as comfortable or advanced using technology as their younger colleagues. To familiarize and make these workers

more comfortable with the technology they will be required to use in their jobs, organisations may want to incorporate training programs that include targeted, hands-on training around technology.

Other Types of Employee Training

- **Communication:** The increasing diversity of today's workforce brings a wide variety of languages and customs.
- **Computer skills:** Computer skills are becoming a necessity for conducting administrative and office tasks.
- **Customer service:** Increased competition in today's global marketplace makes it critical that employees understand and meet the needs of customers.
- **Diversity:** Diversity training usually includes explanation about how people have different perspectives and views, and includes techniques to value diversity.
- **Ethics:** Today's society has increasing expectations about corporate social responsibility. Also, today's diverse workforce brings a wide variety of values and morals to the workplace
- **Human relations:** The increased stresses of today's workplace can include misunderstandings and conflict. Training can people to get along in the workplace.
- **Team building and Leadership:** it is pre-requisite for employees to learn the team work, group behaviour and handling mutual conflicts. Leadership Development Programmes, personality development, public speaking are some programmes in trend to imbibe the Leadership quality.
- **Quality initiatives:** Initiatives such as Total Quality Management, Quality Circles, benchmarking, etc., require basic training about quality concepts, guidelines and standards for quality, etc.
- **Safety:** Safety training is critical where working with heavy equipment, hazardous chemicals, repetitive activities, etc., can also be useful with practical advice for avoiding assaults, etc.
- **Sexual harassment:** Sexual harassment training usually includes careful description of the organisation's policies about sexual harassment, especially about what are inappropriate behaviours.
- **Subject specialization:** Like Risk Management, Marketing, Credit Management, Rural Finance, NPA Management, Wealth Management, Treasury Management/Operations, International Finance, etc.
- **Management Development Programmes:** Like Decision-Making, Leadership Development, Management Excellence, etc. These Programmes are mostly meant for Senior Executives.

Benefits of Training

General Benefits from Employee Training and Development

- Increased job satisfaction and morale among employees.
- Increased employee motivation.
- Increased efficiencies in processes, resulting in financial gain.

- Increased capacity to adopt new technologies and methods.
- Increased innovation in strategies and products
- Reduced employee turnover
- Enhanced company image, e.g., conducting ethics training
- Risk management

Career Advancement

- The goal of any talent management strategy is to enhance productivity and performance as well as retain strong performers, today's companies need to design advancement and compensation practices to meet the needs and expectations of multiple generations.
- Employees should be encouraged to advance in other ways, such as by job role, job rotations and project responsibilities.

Managing Performance

- Companies can develop a successful talent management strategy by addressing the specific generational needs and expectations of their workers. This can include creating rotational assignments (often across functions and geographic rotations) to support the needs of younger workers or offering specialised training and learning programs via solutions like online content to address the short and long-term needs and goals of multi-generational workforces.

Training And Career Development

- In addition to addressing different learning styles, an effective training program should address generational differences. **The middle aged staff**, tend to prefer relationship-based learning situations while the younger staff prefer to engage in independent learning.
- While the generational differences, expectations and approaches to the workplace vary, organisations can adjust horizontal talent management strategies to accommodate each generation. Organisations can and should consider incorporating non-traditional, informal training programs such as online learning, distance learning, and other opportunities that facilitate learning and collaboration.
- Since **Gen-Y thrives on constant praise, organisations** should consider updating their approach to performance management to provide these employees with more frequent and personalised opportunities to receive feedback. Performance plans for this group should allow managers to easily recognize both privately and publicly the accomplishments of the winners.

Soft Skills Training

- Soft Skills which are more akin to Behavioural aspects are very crucial in banking Industry which is dealing with customers. The Soft Skills got various facets like – right attitudes and behaviours, good communication skills, effective Leadership qualities and possessing good managerial excellence, etc., having realized that

mployee-bahaviours and attitudes especially those dealing with customers, i.e., Frontline staff.

- Banks have since devised a host of training programmes on '**Soft Skills**' encompassing all categories of staff – from subordinate staff to top executive level officers.

- 2015–16, Central Bank of India, has devised a programme titled – 'MANTHAN' which is a soft skills programme which encompasses topics like – Everyone can make a difference (to create an urge for performance), Ownership & Coordination – Working as a team (Team work and team building), Importance of customer for the business (Customer Relationships), How to win customers (customer relations), Business etiquette (Behavioral aspects) Service excellence, Self-introspection, Managing conflicts, Goal Setting, attitudinal change, communication skills, etc.

Challenges In Training In Banks

Challenges the banks are facing in imparting Training to its employees:

- Vast network of branches

- Wide geographical distribution

- A huge workforce

- 11 hierarchical levels of officers

- Various entry levels

- Diversified educational background

- Frequent rotation of staff

- Variety of roles

- Rise in customer needs and expectations

- Rapidly changing environment

- Increased competition

- Fast changing technology

- Wide range of banking services & products

Talent Management

The Talent Management function in Banks has three roles viz., Talent acquisition, Talent development & Talent retention.

- **Talent Acquisition:** In Public Sector Banks, there are two sources of talent acquisition, i.e., Internal & External. The internal sources of talent acquisition are through a well-structured process, i.e., spotting the home-grown talent, empower them through elevations, placing them on right jobs which are in congruent to

their skills, experience and qualifications etc. The external sources of talent acquisition are through inducting talents from outside job markets.

- **Talent Development:** It is not enough to identify and infuse talent through internal and external sources, but it is equally important to develop such acquired talents to the Institution's competitive advantage. In the series of strategies to develop talent, 'Training' as the paramount tool thus plays a pivotal role as it is the cornerstone for institutionalizing the talent throughout the bank.

- **Talent Retention:** It will not suffice to acquire and develop the talent but it is equally important to retain the talent, lest the talent may move to other greener pastures and this is equally applicable to the home-grown talent.

- The willingness to stay with the Institution, which is an attitudinal attribute, is mostly driven by the motivational strategies employed by the management. Such a willingness on the part of the employee can be furthered by institutionalizing certain incentives – both financial and non-financial – and welfare measures encompassing the work place and the family front.

<u>Strategies To Hone Up Leadership Skills</u>

- **'Leadership skills'** are the tools, behaviors and capabilities that leaders should have in promoting well-being of the employees and leading to up-gradation of the organizations. The primary job duties of the leaders are focused towards directing and motivating employees towards the implementation of job duties and achievement of goals and objectives**.**

The various types of basic skills that are required to become an effective leader are:

- ✓ Visionary skils
- ✓ Effective communication skills
- ✓ Motivational skills
- ✓ Creative skills
- ✓ Collaboration skills
- ✓ Positivity skills
- ✓ Crisis Management & Dispute Settlement skills
- ✓ Delegating skills
- ✓ Trust worthiness
- ✓ Conscientiousness
- ✓ Good Work Ethics.

The strategies to upgrade the above leadership skills are discussed as below:

- ➢ **Create Passion:** When the leaders are implementing leadership skills, they need to be passionate in terms of their job duties and responsibilities and other factors of the organization as well.

- ➢ **Imbibe Leadership skills with situational awareness:** A good leadership skills development process considers the bigger picture, and helps employees to anticipate future well before to near reality. This is one of the most valuable leadership skills to have when handling complex projects with tight schedules. The leadership skills development process must develop an employee's ability to

foresee outcomes and provide suggestions for avoiding potential problems. This ability also helps to recognize opportunities that others overlook, which will certainly earn recognition.

➢ **Create robust Succession Plans:** Leadership skills can be better upgraded by way of drawing and implementing a robust Succession Plans. Under this process, identifying the successor well before the position become vacant and to place the suitable incumbent timely to ensure smooth transition is key for its effectiveness.

➢ **Nurturing 'Role Models':** Modeling great leadership for others is regarded crucial in the up-gradation of leadership skills.

➢ **Spotting leadership talents timely and utilize their potential productively:** leaders need to be aware in terms of their strengths and make use of them in an appropriate manner. The strengths need to be augmented and the leaders need to be well-aware in terms of ways of making use of them in a well-organized manner.

➢ **Rewards & Motivation**: The leaders need to reward and motivate the employees towards performing their duties diligently and reaching the set goals. This is regarded as one of the crucial ways of arousing concentration and fervor among employees towards the implementation of job duties

➢ **Coping with Constraints and Challenges:** The leaders will be able to convert challenges into opportunities and learn to overcome such problems and challenges through improved leadership.

➢ **Developing Constant Learning habits:** The leaders need to continue to learn throughout their career. Learning of the leaders mainly takes place through two ways, i.e. making use of internet, books, articles, and other reading materials and communicating with others. When there are organization of seminars and workshops, the leaders present papers and generate information in terms of important areas among the employees.

➢ **Imbibing creativity through Study & Research:** leaders acquire new skills and also aid the other leaders in the business arena. Hence, research work will augment their knowledge and understanding in terms of types of leadership skills and ways of bringing about improvements in them.

➢ **Ability to accept failures:** Learning how to recognize successes and failures is one of the essential leadership skills that needs to be nurtured in potential leaders.

Training For New Generation

• **Gen 'Y' denotes the generation that succeeds Gen 'X'** i.e., those born roughly between 1982 to 2001. Members of Generation 'Y' are often referred to as "echo boomers" because they are the children of parents born during the baby boom (the "baby boomers"). Since children born during this period have had constant access to technology (computers, cell phones) in their youth; many employers were perforce to revamp their hiring strategy in order to incorporate updated forms of technology. Gen 'Y' are the people who are most educated, assertive, vocal, connected, confident and independent.

- **Gen 'C' who born roughly after 2001.** It is the newest up-coming generation to enter the workforce. This generation is called Gen 'C' because of their fine-tuned focus will be on many 'Cs' viz., Connected, Communicative, Collaborative, Content-centric, Computerized, Community-oriented and always Clicking.

➤ **Keep it Short:** Gen Y learns best from information delivered in short bites, rather than one giant, lengthy chunk of information. Break up long training courses into multiple, shorter sessions to help employees better consume the information. If it is impossible to break up a large training session, create documents reviewing sections of information and make them available on the company network or online.

➤ **Make training entertaining:** Gen Y grew up on computers and video games, with constant audio-visual stimulation. Explore training options that incorporate computer simulation, online courses and social media applications. Entertaining audio and video will hold their attention, ensuring Gen Y employees retain the message.

➤ **Allow freedom:** If possible, give employees the option to attend training at a time that is suitable with their schedule. Online courses and podcasts may provide the most flexibility, allowing trainees to participate in courses at their leisure. Digital options also give Gen Y the freedom to review materials that were taught in a previous training session on their own time.

➤ **Explore mobile learning (m-learning):** If the resources are available, provide on-demand training experiences using mobile devices. Facilitate m-learning by offering e-learning courses, chapter reviews from training courses and share expert videos on the training topic.

➤ **Encourage teamwork:** Millennial employees generally flourish and enjoy working in team environments. Develop team activities led by senior employees or managers during and after training courses to foster teamwork and reinforce training points.

When training any generational group, the goal must be to provide valuable learning experiences that give employees the tools to develop in their careers. Training is a gift employers give to their workforce that keeps employees engaged, happy and productive. Knowing how younger generations learn best will help develop the next great leaders in our organisations.

Benefits of Training

- Learning
- Behavioural Change
- Performance Change
- Attitudinal Change

Best Practices In Training To Help Organisations

- **On-Boarding:** Because effective talent management starts with an employee's first day on the job, organisations should fine tune the on-boarding process by incorporating programs that specifically address generational differences. Older

workers, for example, may not be as comfortable or advanced using technology as their Generation X and Y colleagues (referred to as Gen X and Gen Y). To familiarise and make these workers more comfortable with the technology they will be required to use in their jobs, organisations may want to incorporate new-hire training programs that include targeted, hands-on training around technology.

- **Training and Career Development:** In addition to addressing different learning styles, an effective training program should address generational differences. Baby Boomers, for example, tend to prefer relationship-based learning situations while Gen X workers prefer to engage in independent learning.

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HRM Module D – Personnel Management and Industrial Relations

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Unit 3	Employee Grievance Redressal and Discipline
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Unit 5	Employee Discipline (Discipline Management)

CAIIB HRM Module D Unit 1- Industrial Relations (A)

Personnel Function

- Personnel management is a managerial function of planning, organising, directing, controlling and co-ordinating the line functions or operative functions such as recruitment, development, compensation, integration, utilisation and maintenance of people so that their individual objectives as well as the organisational goals are achieved.

- Personnel management deals with the aspect of relationship between and among people and is concerned about their well-being as individuals and as groups so that they can give their best. Personnel management which has evolved into HRM has three major spheres of activities; viz. **strategic, professional as well as administrative.** These again get bifurcated into **welfare aspect** relating to safety, health, amenities and facilities, **personnel aspect** relating to recruitment, development, compensation and incentives, and **relationship aspect** relating to employee relations, settlement of industrial disputes, negotiation with unions etc.

Functions of 'Personnel Management'

Strategic Functions:

- ✓ Organisation Mission/Vision, Business Goals, Strategy Formulation,
- ✓ Organisation Life Cycle stage,
- ✓ Organisation Competency Identification (Key Competencies Required) including Competency Mapping Industry/Competitor Analysis.

Professional Functions:

- ✓ Performance Management and Review Mechanism,
- ✓ Key Result Areas, Key Performance Indicators and Key Deliverables,
- ✓ Employee Morale and superior performance.

Administrative Functions:

- ✓ Recruitment & Selection,
- ✓ Performance and Potential Evaluation,
- ✓ Training and Development,
- ✓ Compensation,
- ✓ Rewards and Recognition,
- ✓ Employee retention.
- ✓ Career and Succession Planning,
- ✓ Employee wellness/welfare.

Legal Aspects of Personnel Function

The important labour laws in India which apply to organisations can be classified under the following groups:

Legislation on Working Conditions:

- The Factories Act, 1948 The Mines Act, 1952
- The Contract Labour (Regulation and Abolition) Act, 1970
- Shops and Establishment Act (enacted by different States)

Legislation on Wages:

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

Legislation on Social Security

- The Employees' Compensation Act, 1923
- The Employees' State Insurance Act, 1948
- The Employees' Provident Fund and Miscellaneous Provisions Act, 1952
- The Maternity Benefit Act, 1961
- The Payment of Gratuity Act, 1972

Legislation on Employment and Training

- The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- The Apprentices Act, 1961

The broad objectives of these enactments can be summarised as under:

- ✓ To protect and safeguard the interest and well-being of the working class against the possible arbitrary action of employers.
- ✓ To regulate and improve the working conditions.
- ✓ To provide for fixation and payment of minimum wages.
- ✓ To ensure timely payment of wages and avoid unauthorised deductions from the wages.
- ✓ To spell out and notify the service conditions for the information of all concerned.
- ✓ To provide for formation of trade unions with a view to promoting collective bargaining.
- ✓ To arrange for social security measures in the event of sickness, disablement and death of workmen.
- ✓ To promote industrial peace by providing for machinery for settlement of industrial disputes.

- ✓ To be receptive to the market demands and enact legislation for facilitating modern businesses.
- ✓ To promote ease of doing business, reducing compliance burdens, and modernizing the legal framework surrounding the regulation of industrial relations in India.

Legislation On Working Conditions

The Contract Labour (Regulation and Abolition) Act, 1970

- The Act is applicable to every establishment in which 20 or more workmen are employed or were employed on any day of the preceding twelve months as contract labour. In Maharashtra, this threshold limit has been enhanced to 50.

- The Act is not applicable to establishments performing work only of an intermittent or casual nature.

- A workman is deemed to be employed as '**contract labour'** when hired through a contractor with or without the knowledge of the principal employer.

- Every principal employer of the establishment to which the Act applies must get the establishment registered under the Act for employing contract labour and every contractor must obtain a license under the Act for executing work through contract labour.

- The principal employer, who has not obtained the registration or whose registration is **revoked under Section 8 of the Act, is** prohibited from employing any contract labour.

The appropriate government may prohibit any establishment from employing contract labour considering:

- ➢ Whether the conditions of work and benefit provided for contract labour are satisfactory
- ➢ Whether the work is incidental to or necessary for the business of the establishment
- ➢ Whether the work is of a perennial nature or of sufficient duration
- ➢ Whether it is ordinarily done through regular workmen.

A contractor is required to provide:

- ➢ A canteen if the establishment employs 100 or more workers;
- ➢ Rest rooms if the contract labour is required to halt at night;
- ➢ Sufficient supply of drinking water and washing facilities; and
- ➢ First-aid box.

- If the contractor fails to provide these facilities, the principal employer has to provide these amenities.

- The payment of wages shall be made by the contractor in accordance with the provisions of **Payment of Wages Act, 1936**. It is the responsibility of the

principal employer to pay the unpaid wages if the contractor fails to pay the same.

Note: By a notification of **December 6, 1976, the Central** Government has prohibited employment of contract labour by banks for sweeping, dusting and watching of buildings. Having regard to the emerging developments, Reserve Bank of India (being the custodian of Banks) has since allowed outsourcing in Banks in non-core activities which have been clearly spelt out like – sweeping, dusting, watching buildings, etc.

The Bombay Shops and Establishments Act, 1948

- A shop or establishment (which includes commercial establishment) is to be registered under the Act with the local authority. The license is valid for one year and needs to be renewed.

- No employee should be asked to work more than 9 hours on any day and 48 hours in a week. Employees are allowed to work 6 hours extra in each week and six days in a year for preparation of accounts, stock taking etc. But such over-time should **not exceed 24 hours.**

- It provides for rest intervals in such a way that no employee is required to work for more **than 5 hours before** having an interval for rest of at least one hour.

- It also provides for weekly holidays. Every commercial establishment has to remain closed on one day of the week and the employee is to be paid for such closed day.

- The Act makes provision for leave. If an employee has worked for more than 240 days during a **year, he is entitled to 21 days leave** which can be accumulated up to 42 days. If the employee is discharged before he has availed of the leave he is to be paid for that leave. Even when the employee quits employment, he is to be paid for such leave if his application for such leave was rejected earlier.

- The Act requires the employer to maintain attendance register, leave record, etc.

Trade Union Act, 1926

- The main objective of the Act is to provide for registration of trade unions and give the registered trade unions a legal status and immunity to their office bearers from civil and criminal liability for pursuing legitimate union activities.

- '**Trade dispute**' has been defined by the Act as a dispute between employers and workmen, or workmen and workmen, or employers and employers, which is connected with the employment or non-employment or terms of employment or the conditions of labour.

- Any seven or more members of a trade union can by subscribing their names to the rules of the union and by complying with the provisions of the Act, apply for registration of the trade union. Provided that no Trade Union of workmen shall be registered unless at least ten per cent or one hundred of the workmen, whichever is less, engaged or employed in the establishment or industry with

which it is connected are the members of such Trade Union on the date of making of application for registration.

- **Under Sec. 9A of the Act, a registered** Trade Union of workmen shall at all times continue to have **not less than 10% or 100 of the workmen**, whichever is less, subject to a minimum of seven, engaged or employed in an establishment or industry with which it is connected, as its members.

- If the trade union is in existence for more than a year before it applies for registration, it shall submit a statement of assets and liabilities in the prescribed form to the Registrar of Trade Unions.

- The Registrar shall issue a certificate of registration which is a conclusive proof of registration of the trade union and it can be withdrawn *after giving two months' notice*.

A trade union after registration:

➢ Becomes a body corporate and a legal entity, distinct from its members,
➢ Has perpetual succession and a common seal,
➢ Has powers to acquire and hold movable and immovable property,
➢ Has power to contract,
➢ Can by its name sue and be sued.

The general fund of the registered trade union shall not be spent on any objects other than the following:

➢ Payment of salaries and expenses of the office-bearer of the trade union;
➢ Administrative expenses including audit of the accounts of the general fund;
➢ Expenses of legal proceedings for prosecuting or defending the trade union
➢ For the conduct of trade dispute
➢ Compensation to members for loss arising out of trade disputes
➢ Allowances to members or their dependants on account of death, old age, sickness, accidents
➢ Taking out insurance policies on the lives of members
➢ Provision of social, educational or religious benefits to the members or their dependents.

The account books and list of membership of a trade union shall be opened for inspection to any member.

Not less than one-half of office-bearers of the trade union shall be the persons actually engaged or employed in the industry to which the union is connected.

Industrial Dispute Act, 1947

This is an Act to provide for investigation and settlement of industrial disputes between employer and employer, workman/workmen and workman/workmen and employer and worman/workmen.

The Supreme Court, through various judgements, has outlined the objectives as:

- To ensure social justice to employers and employees and bringing about harmony
- To settle disputes through conciliatory machinery
- To prevent illegal strikes and lockouts
- To provide compensation to workmen in case of lay-off, retrenchment, closure
- To promote collective bargaining.

In an attempt to resolve the industrial dispute the Act makes it obligatory to constitute a works committee in industrial establishments employing 100 or more workmen. The committee consists of equal number of representatives of workmen and employer. However, the total number of members in the Works Committee should **not be more than 20.** The works committee is formed to promote measures to secure and preserve amity and good relations between the employer and workmen.

The Act provides for redressal of Industrial disputes in a three pronged way:

- By constituting works committee;
- By appointment of conciliation officer or constitution of Board of Conciliation;
- By referring the matter to the labour court, tribunal or national tribunal.

- The Act also provides for voluntary reference of disputes to arbitration if the employer and workmen agree to refer it to the arbitrator before the dispute has been referred to the labour court or tribunal.

- The Act makes it obligatory for the employer to give a notice of change before effecting any change in the conditions of service in respect of wages, hours of work, leave and holidays, Introducing new rules of discipline, withdrawal of any concession or privilege. **21 days' notice to the workmen** likely to be affected by the proposed changes is required to be given.

- The Act prohibits strikes and lock-outs in public utility services without giving due notice and also provides for general prohibition of strikes and lock-outs under certain circumstances.

- The Act provides for lay-off, retrenchment and closure for which a specified procedure is required to be followed and compensation at the prescribed rate to be paid to the workmen affected.

Industrial Relations Code 2020

It subsumes three major Central laws that relate to industrial dispute settlement and collective bargaining arrangements, namely –

- **The Industrial Disputes Act, 1947**
- **The Trade Unions Act, 1926**
- **Industrial Employment (Standing Orders) Act, 1946.**

The objects of these Acts have been retained for the most part with the Industrial Relations Code, 2020 consolidates the laws for ease of compliance into a single

document. However, certain changes have been brought in with a view to promote ease of doing business, reducing compliance burdens, and modernizing the legal framework surrounding the regulation of industrial relations in India.

Salient Features

- The definition of worker has been broadened and now includes **working journalists** as defined in Section 2(f) of the Working Journalists and Other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act of 1955 and **employees of Sales promotion** as defined in Section 2(d) of the Sales Promotion Employees (Terms of Service) Act 1976. Persons employed in a supervisory capacity earning less than Rs. 18,000 per month (or any amount notified by the Central Government) is included in the definition of "worker".
- **Fixed-term employment** has a legal basis. It allows employers greater flexibility to hire in line with supply and demand. Fixed-term employees are eligible to receive tips on a pro-rata basis if they serve for one year under their respective employment contracts. They are given equality with permanent employees concerning working conditions, wages, allowances, and other benefits.
- The applicability threshold of the Labour Disputes (Regulation) Act 1947 under the **Labour Relations Bill 2019** had been established in establishments employing **100 or more employees**. However, the Industrial Relations Code 2020 has raised this threshold to 300.
- **Concerning layoffs and reductions in personnel**, Section 65 applies to industrial establishments that are not included in Chapter X of the Code, which is essentially Chapter VB of the Industrial Dispute Act of 1947. It applies to **industrial establishments in which more than fifty workers are working on average per working day during the previous calendar year.**
- **Section 77 of Chapter X applies to industrial establishments in which no less than 300 workers or a greater number of workers than may be specified by the corresponding government, were employed on average per working day in the previous 12 months.** Therefore, the establishments included in this provision must obtain prior permission from the Government for layoffs, staff reductions and closure.
- **The Code forbids strikes and immediate lockouts in all companies** and therefore no company can strike contrary to the contract 60 days before the strike or the expiry of a date specified in the strike notification. Strikes are also prohibited while mediation is in progress and within 7 days of the conclusion of such a process. Strikes are also prohibited while proceedings are pending before a labour court or 60 days after they are concluded.

Trade Union: Negotiating Union/Negotiating Council

The Industrial Relations Code 2020 provides a new concept for negotiating trade unions or negotiating councils in an industrial company.

- In the case of a single union in an industrial company, the employer recognizes that union as the sole bargaining union of the workers.

- If there are several unions, the union is recognized by the employer as a bargaining union **with 51% of the employees** in the industrial company's model directory.
- In the case of several trade unions, none of which fulfil the above-mentioned 51% membership criteria, the employer forms a negotiating council made up of representatives of these registered trade unions, who are supported by at least 20% of the total workforce of the industrial company.
- **Industrial Relations Code 2020** also provides that if the Central/State Government believes that there is a need for a union or confederation to be recognized as a central/state union, that government may recognize the trade unions alike.

Strikes And Lockouts

- Industrial Relations Code 2020 defines "**strike**" as including the concerted casual vacation on a given day of fifty percent or more of the workers in an industry.
- No employee can strike without reporting a strike to the **employer 14 days** in advance. This notification is valid for a maximum of 60 days.
- No employer can lockout one of its employees **without giving 14 days'** notice of the ockout. This notification is **valid for a maximum of 60 days.**

Industrial Relations Code 2020 prohibits strikes and lockouts:

- ➢ During and up to seven days after arbitration; and
- ➢ During and up to sixty days after or before trial in a court or arbitrator
- ➢ During any period in which a settlement or arbitration award is in effect.
- ➢ Employers are required to report to the relevant government and arbitration officer within five days of receiving/announcing a strike/lockout.

Standing Orders

- Industrial Relations Code 2020 states that the provisions regarding standing orders will apply to the establishments that have had three hundred or more employees on any day in the preceding **twelve months or a year.**
- An employer will be required to prepare a draft of standing orders, based on the Central Government model standing order, **within 6 months** from the code start date, in consultation with recognized negotiating unions or members of the negotiating council concerning the same and it must be certified by the certifying officer.

Re-skilling Funds

Industrial Relations Code 2020 provides for the creation of a "**reskilling fund**" for employees laid off from the industrial establishment by the employer. The fund will be made up of the following amounts:

- Employer contribution, equivalent to 15 days of salary as the last retirement of the worker immediately before being fired.
- Contributions from other sources as prescribed.

- The fund must be used to pay the last 15 days of salary extracted by the worker, to his account, within 45 days after the worker's dismissal.

Layoff And Retrenchment

- Industrial Relations Code 2020 defines lay-off as the inability of an employer, due to shortage of coal, or power, material or breakdown of machinery, accumulation of material or natural calamity from giving employment to a worker whose name is on the muster roll and has not been retrenched.
- Retrenchment refers to the termination of service of a workman for any reason other than disciplinary action. It does not include retirement, non-renewal of contract, or completion of tenure of fixed-term employment or termination on the ground of continued ill-health.
- The provisions on lay-off and retrenchment under Industrial Relations Code 2020 do not apply to industrial establishments with less than 50 workers on an average per working day or seasonal industrial establishments.
- Whenever a worker whose name is borne on the muster rolls of an industrial establishment and who has completed not less than one year of continuous service under an employer is laid-off, whether continuously or intermittently, he shall be paid by the employer for all days during which he is so laid-off. Compensation which shall be equal to fifty per cent. of the total of the basic wages and dearness allowance that would have been payable to him, had he not been so laid-off.
- Further, factories, mines and plantations, which have three hundred or more workers must take prior permission of the appropriate Government before lay-off, retrenchment and closure.

Grievance Redressal Mechanism

- Industrial Relations Code 2020 states that any industrial establishment employing more than 20 employees must have one or more complaint redressal committees for the resolution of disputes arising from individual complaints.
- The committee should be made up of an equal number of members representing employers and workers, and the chair should be elected, alternately, from among employees and workers, on a rotating basis each year.
- The number of grievance redress committees cannot exceed 10 and there must be adequate representation of female workers on the committee and must not be less than the proportion of women employed in the industrial establishment.

Compliance Requirements

Short Title	Threshold for Applicability	Requirement
Works Committee	100 or more workers	Constitution of Works Committee consisting of representatives of employer and workers
Grievance Redressal Committee	20 or more workers	Constitution of Grievance Redressal Committees for consisting of equal number of members representing employer and workers
Preparation of draft Standing Orders by Employer	300 or more workers	Employer must prepare draft Standing Orders within a period of six months from the date of commencement of this Code

Legislation of Wages

The Payment of Wages Act, 1936

- **Objectives:** To regulate payment of wages at least once in a month and at a regular interval, and to prevent unauthorized deductions from the wages.

Features and main provisions

- ➢ The Act can be made applicable by the State Government by notification to establishments.
- ➢ The Act covers employees whose wages are less than Rs. 24,000/- p.m.
- ➢ The term 'wages' has a very wide coverage meaning remuneration, overtime payment, leave salary, payment on termination, etc., but excludes any bonus, contribution to PF or Pension Fund, and any Gratuity payable.
- ➢ In organisations employing less than 1,000 persons wages shall be paid before the expiry of the seventh day, and where more than 1,000 persons are employed it shall be paid before the expiry of the tenth day, after the last day of the wage period in respect of which wages are payable.
- ➢ Payment of wages is to be made in currency notes. On authorisation from the employees payment can be made by cheque or to the credit of the employee's account.
- ➢ Payment is to be made without any deductions except those deductions which are authorised by the Act.
- ➢ Authorised deductions include: fines, deductions for absence, deductions for damages or loss, deduction for house accommodation and other amenities, recovery of advance, adjustment for over payments, recovery of loans, IT deductions, payment to co-operative society, LIC premium etc.
- ➢ Deductions are authorised for absence. However, if 10 or more employees acting in concert absent themselves without notice and cause, deductions can be made for a **maximum period of 8 days**.
- ➢ Deductions for damage or loss caused due to neglect can be made only after giving an opportunity to the employee to show cause against the deductions.

Note: The Payment of Wages Act, 1936 is not directly applicable to banks. However, the Shops and Establishment Acts of different States have incorporated some of these provisions and made this Act applicable to banks.

The Minimum Wages Act, 1948

- **Objectives:** The Act aims to provide for fixing minimum rates of wages in certain employments.

Features and main provisions

- The Act is applicable to employments listed in the Part I and Part II of the Schedule to the Act. It covers certain establishments regardless of number of workers employed. Some of the establishments covered are: rice mill, flour mill, tobacco manufacturing, oil mill, employment in agriculture, dairy farming, horticulture, poultry, etc.
- Wages means all remuneration capable of being expressed in terms of money payable to a person but does not include value of accommodation, supply of light, water and other amenities, contribution to the pension fund or provident fund or social insurance scheme or gratuity payable on discharge, and travelling allowance.
- Where the appropriate government has fixed minimum rates of wages, the employer is bound to pay at rates not less than the rates notified.
- The rates of wages can be fixed for different employment, classes of employment, different localities. The rates may be a time rate, a piece rate, a guaranteed time rate and overtime rate.
- Any contract or agreement by an employee relinquishing his/her right under this Act shall be null and void.

Note: The Act has fixed the floor level for wages. The provisions of this Act do not apply to banks as it is not treated as scheduled employment.

The Payment of Bonus Act, 1965

- **Objectives:** To provide for payment of bonus to persons employed in certain establishments on the basis of profits or on the basis of production or productivity and matters connected therewith.

Features and main provisions

The Act applies to all factories and establishments employing 20 or more persons.

Bonus is payable to:

- ➢ **Employee whose salary/wages does not exceed Rs. 21,000 per month.**
- ➢ **Who has worked in the establishment for not less than 30 days.**
- ➢ Not disqualified to claim bonus due to fraud, theft or any other misconduct.
- ➢ Bonus of very person drawing salary between Rs. 7,000/- and Rs. 21,000/- per month shall be calculated as if his salary were Rs. 7000/- pm or the minimum wages for the employment as fixed by the appropriate Government, whichever is higher.
- ➢ Determination of Gross Profit is the first step towards calculating amount of bonus. From Gross Profit certain charges are to be deducted such as remuneration of partners or proprietors, a return of 8.5 per cent on equity capital and 6 per cent in reserves, depreciation under the Income Tax, direct

taxes, dividend paid or payable. After deducting these, 'available surplus' is arrived at. 67 per cent of available surplus is 'allocable surplus' for a company and for others it is 60 per cent. Bonus is to be paid from the allocable surplus.

➢ It is an obligation on the employer to pay bonus at a minimum rate of 8.33 per cent of the salary or Rs. 100/- whichever is higher.

➢ It is to be paid irrespective of profit or loss or whether there is allocable surplus or not in the accounting year. The maximum rate is fixed at 20%.

➢ The Fourth Schedule to the Act illustrates the method of set-on and set-off. The excess of allocable surplus after distributing bonus shall be set-on and carried forward up to the fourth accounting year. In the case of shortage or want of allocable surplus, the amount distributed will be carried forward for set-off out of allocable surplus.

➢ New establishments get exemption from payment of bonus for a period of 6 years or up to the year they show profit, whichever is earlier.

➢ Bonus is to be paid within a period of 8 months from the close the accounting year.

➢ An acknowledgement of an employee is to be obtained on revenue stamp in form "C" for having received bonus payment.

The Equal Remuneration Act, 1976

• **Objectives:** To provide for the payment of equal remuneration to men and women employees and for the prevention of discrimination on the grounds of sex against women.

Features and main provisions

➢ Remuneration includes basic salary and any additional emoluments payable in cash or in kind.

➢ It is the duty of the employer to pay equal remuneration to men and women for the same work or work of a similar nature.

➢ No discrimination will be made while recruiting for the same work except where the employment of women is prohibited or restricted.

➢ No discrimination should be made against women in the matter of conditions of service, promotions, training etc.

➢ It is obligatory to maintain prescribed registers and other documents in relation to employees.

Legislation on Social Security

The Employees' Compensation Act, 1923

Objectives: The Act imposes an obligation upon the employer to pay compensation to workers for accidents arising out of and in the course of employment. The Act provides for compensation for the injury which is in addition to his normal wages.

Features and main provisions

- The Act applies to any person employed otherwise than in clerical capacity in railways, factories, mines, loading and unloading work on a ship, construction of roads and bridges and other hazardous occupations specified in Schedule II to the Act. The Act does not apply to members of Armed Forces.
- The compensation is payable for any personal injury sustained by the workman in an accident arising out of and in the course of employment. No compensation is payable if the disablement does not continue for more than three days.
- Section 4 to 7 detail the rate at which compensation is payable for different types of disablement caused due to injury for fatal injury as well as permanent total disability.
- Permanent Partial Disablement – according to incapacity caused.
- Temporary Disablement – fixed amount per month up to a period of 5 years.
- The Act provides for the compensation amount to be deposited with the Commissioner for Workmen's Compensation in the case of fatal accidents.

Doctrine of Notional Extension:

The Supreme Court explained this doctrine: "as a rule employment does not commence until the workman has reached the place of employment and does not continue when he has left the place of employment. This is however subject to the theory of notional extension of the employer's premises so as to include the area the workman passes and repasses while going to and returning from the workplace. it has to be proved by the employee that:

- **T**here was an accident,
- **T**he accident had a causal connection with the employment and
- The accident must have been suffered in course of employment.

The Employees' Provident Fund and Miscellaneous Provisions Act, 1952

- **Objectives:** to provide substantial security and monetary assistance to the employees and their families and to protect them during old age, disablement, etc. The Act provides for a scheme for institution of provident fund.

Features and main provisions

- An employee includes any person employed for wages in any kind of work, in connection with the work of an establishment. As per an amendment to the Provident Fund Scheme from time to time, the wage limit coverage has been enhanced to Rs. 15,000/- per month.
- The Act is applicable to factories and other establishments employing 20 or more persons.
- The normal rate of contribution to provident fund by the employees and the employers is 12 percent.
- The Central Government declares the rate of interest to be credited annually to the accounts of the provident fund subscribers.
- A member may withdraw full amount from his PF account in the event of retirement from the service after attaining the age of 55 years;
  - ✓ Retirement on account of permanent incapacity,

- ✓ Migration for permanent settlement abroad,
- ✓ Termination in the course of mass retrenchment.
- ➢ The scheme provides for transfer of PF account of the member on his leaving the service of an employer and joining another establishment.
- ➢ A refundable withdrawal can be made for: house-building, financing LIC policy, illness of member or his family members, member's marriage or marriage of his son, daughter, brother, sister, etc., with certain limits. However, non-refundable withdrawal even upto 100% of employee contribution from PF can be made only for the purpose of house-building.

The Maternity Benefit Act, 1961

- **Objectives:** The Act is a social security legislation to promote the welfare of working women. It also prohibits working of pregnant woman for a specified period before and after delivery. It provides for leave and certain monetary and other benefits.

Features and main provisions

- ➢ The Act applies to every establishment, factory, mine, etc., having 10 or more employees.
- ➢ The maximum period of maternity leave is – 26 weeks; eight weeks before the date of delivery. Provided that the maximum period entitled to maternity benefit by a woman having two or more than two surviving children shall be twelve weeks of which not more than six weeks shall precede the date of her expected delivery.
- ➢ Maternity leave of 12 weeks is also allowed to mothers legally adopting a child below the age of 3 months.
- ➢ In case, where the nature of work assigned to a woman is of such nature that she may work from home, the employer may allow her to do so after availing of the maternity benefit for such period and on such conditions as the employer and the woman may mutually agree.
- ➢ To be entitled for maternity leave a woman must have worked for not less than 80 days in the 12 months immediately preceding the day of expected delivery.
- ➢ In case of miscarriage, a woman is entitled to six weeks of leave from the day of miscarriage.
- ➢ For illness arising out of delivery, premature birth or miscarriage, a woman can take extra leave up to a maximum period of one month.
- ➢ Every woman entitled to maternity benefit is also entitled to a medical bonus of Rs. 250/- if no pre-natal or post-natal care has been provided for by the employer free of charge.
- ➢ Every establishment having fifty or more employees shall have the facility of crèche within such distance as may be prescribed, either separately or along with common facilities. Provided that the employer shall allow four visits a day to the crèche by the woman, which shall also include the interval for rest allowed to her.

The Payment of Gratuity Act, 1972

- **Objectives:** The Act provides for a scheme of compulsory payment of gratuity to employees employed in factories, mines, shops and other establishments having 10 or more employees.

Features and main provisions

- The Amendment Act of – 2017 removed the salary ceiling of an employee, but the maximum gratuity payable shall be Rs.20 lakh w.e.f. 1.1.2016.
- Section 4 confers a right on the employee to receive gratuity if he has rendered continuous service of not less than 5 years, on superannuation, retirement or resignation or death. The completion of 5 years is not necessary if the termination of employment is due to death or disablement.
- For every completed year of service or part thereof in excess of 6 months, gratuity is payable at the rate of 15 days' last drawn salary as per Section 4(2).
- Gratuity can be forfeited if the services of an employee are terminated for any act of willful omission or negligence causing damage or loss to the property of the employer, to the extent of loss.
- Section 6 provides for nomination facility. The employee who has completed one year of service has to submit nomination in the prescribed form. Nomination has to be in the name of a family member(s).
- Payment of gratuity under this Act is not liable to be attached in execution of any decree or order of any civil, revenue or criminal court.

Note: The gratuity payable under the scheme of the banks or other employer, can be attached to the extent the amount exceeds the one payable under the Act.

Legislation on Employment And Training

The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959

- **Objectives:** To enable government authorities to assess the employment potential and to have better appreciation of labour market as well as to enable unemployed persons, to seek employment.

Features and main provisions

- The employer is obliged to notify the vacancy before filling up any vacancy. The vacancy should be notified in writing to the employment exchange having jurisdiction over the **area at least 15 days** before the date on which the applicants are to be interviewed.
- The employer is required to submit quarterly and biennial returns to the Employment Exchange giving details regarding total number of employees, vacancy position and occupational classification of employees,
- While employers are required to notify the vacancy, they are not obliged to appoint only those sponsored by employment exchanges.
- The Act does not apply to vacancies to be filled through promotion or on the results of any examination conducted or interview held by any independent agency such as Union or State Public Service Commission and the like.

The following two enactments in Banking context:

➢ **Banking Companies' (Acquisition & Transfer of Undertakings) Act, 1970**: This is the Act under which the 14 major banks were nationalized in July 1969 and subsequently in April 1980, 6 more banks were nationalized. The Act provides for the Central Government to make regulations on service conditions for the employees of these banks.

➢ **Banking Regulation Act, 1949:** This Act is applicable to all the scheduled banks including the nationalized banks. **Section 10(1)** prohibits employment of any person who has been adjudicated insolvent or has been convicted by criminal court of an offence involving moral turpitude.

CAIIB HRM Module D Unit 2- Industrial Relations (B)

Trade Unions

- The first Trade Union was founded by **Shri Narayan Meghjee Lokhanday in Bombay in 1890**. Thereafter, there were a few trade unions in Railways, Printing Industry, Indian Post Offices, etc.
- The unions were aimed at promoting welfare activities, spreading literacy amongst workers and for redressing their grievances.

The important trade unions in the country today are:

➢ **INTUC –** Indian National Trade Union Congress
➢ **AITUC –** All India Trade Union Congress
➢ **HMS –** Hind Mazdoor Sabha
➢ **CITU –** Centre of Indian Trade Union
➢ **BMS –** Bhartiya Mazdoor Sangh

Trade Unions in Banks

- Trade unions played a very important role in safeguarding the interests of the bank employees so that their collective bargaining strength at its peak covered almost 90% of the workmen staff.

The important Trade Unions/Federations in the banks which are parties to bilateral settlements at Industry level, are:

➢ All India Bank Employees' Association (AIBEA)
➢ National Confederation of Bank Employees (NCBE)
➢ Bank Employees Federation of India (BEFI)
➢ National Organisation of Bank Workers (NOBW
➢ Indian National Bank Employees' Federation (INBEF)

The important Officers' Organisations which are parties to the Joint Notes being entered into bilaterally at Industry level, are:

➢ All India Bank Officers' Confederation (AIBOC)

➢ All India Bank Officers' Association (AIBOA)
➢ Indian National Bank Officers' Congress (INBOC)
➢ National Organisation of Bank Officers (NOBO)

The workers and officers in the banking and insurance sector are well organised under the flag of their respective Trade Unions and therefore they could get their demands settled either through negotiations or through agitations.

Weaknesses of Trade Unionism in Banking Industry

• **Trade union:** There are multiple trade unions in almost all the industries. Each union attempts to achieve goals through means, both fair and unfair. It gives rise to union rivalry, sometimes even culminating in violence.

• **Political affiliation:** The political parties have different ideologies which get translated into the unions sponsored by them. If the ruling party union holds a particular view, the others will not subscribe to it. This again results in inter union rivalry and is against the interest of the workers.

• **Proliferation of unions:** Due to the uncontrolled growth of the unions and the absence of functional unity among them, they have a small and irregular membership.

• **Apprehensions of workers**: Even today the workers are afraid that their being a member of the trade union will not be liked by the employer and that they will be victimised.

• **Outside leadership:** Another problem faced by the unions is that they have outside leaders. Leaders are not from the workers of the unit or industry. This distances the workers further from the union activities. The leaders on their part do not have proper appreciation of the problem faced by the workers and try to tackle the issue from their perception of the situation which may be alien from reality.

• **Employers' attitude:** trade unions were quite aggressive, threatening and unreasonable in their approach. The employers perceived them as trouble-makers, unnecessary, hurdle in the growth of industry.

• **Lack of Leadership:** With the old generational employees who have provided effective leadership to the Unions in banks, are slowly retiring from the banks etc., coupled with the fact that new generation employees are not willing to be unionized, there has been leadership shortage/ gap in the Bank's Trade Unions.

• **Entry of New Generation employees:** many new generation employees are entering the banks with varied drives, desires and needs. These employees are more career-minded and as such more reluctant to be unionized.

Check-off Facility

- '**Check-off**' facility is an arrangement or practice in unionized (organized) establishments under which an employer regularly deducts union dues from the employees' wages and passes them on to the union.
- Check-off may require a written authorization from the employee for the deduction. In the banking industry, the unions have been enjoying this facility through the payment of union membership fees by way of deduction from salary. This has been considered as authorised deduction under the Payment of Wages Act. The union in turn gets an authentic information from the employer as to how many members it has.
- The Industrial Disputes Act provides for a machinery to amicably settle various disputes, including the basic one – the check-off.

Industrial Relations

- Industrial relations explains the relationship between employees and management which stems directly or indirectly from union-employer relationship.
- The field of industrial relations looks at the relationship between management and workers, particularly groups of workers represented by a union. Industrial relations are basically the interactions between employers, employees and the government, and the institutions and associations through which such interactions are mediated.
- Industrial relations also includes the processes through which these relationships are expressed (such as, collective bargaining, workers' participation in decision-making, and grievance and dispute settlement), and the management of conflict between employers, workers and trade unions, when it arises.

Objectives of 'Industrial Relations'

- To safeguard the interest of labor and management by securing the highest level of mutual understanding and good-will among all those sections in the industry which participate in the process of production.
- To avoid industrial conflict or strife and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of a country.
- To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequency absenteeism.
- To establish and promote the growth of an industrial democracy based on labor partnership in the sharing of profits and of managerial decisions, so that individuals' personality may grow to its full stature for the benefit of the industry and of the country as well.
- To safeguard the interest of labor and management by securing the highest level of mutual understanding and good-will among all those sections in the industry which participate in the process of production.
- To improve the economic conditions of workers in the existing state of industrial managements and political government.

- Socialization of industries by making the state itself a major employer.
- Vesting of a proprietary interest of the workers in the industries in which they are employed.

Importance of 'Industrial Relations'

- **Uninterrupted production:** The most important benefit of industrial relations is that this ensures continuity of production. This means, continuous employment for all employees who contribute to production process, i.e., from chief executive officer to floor workers to pantry boy.
- **Reduction in Industrial Disputes:** Good industrial relations reduce the industrial disputes. Disputes are reflections of the failure of basic human urges or motivations to secure adequate satisfaction or expression which are fully cured by good industrial relations. Strikes, lockouts, go-slow tactics, gherao and grievances are some of the reflections of industrial unrest which do not spring up in an atmosphere of industrial peace. It helps promoting co-operation and increasing production.
- **High morale:** Good industrial relations improve the morale of the employees. Employees work with great zeal with the feeling in mind that the interest of employer and employees is one and the same, i.e., to increase production.
- **Mental Revolution:** One of the main objectives of industrial relation is a complete mental revolution of workers and employees. The industrial peace lies ultimately in a transformed outlook on the part of both. It is the duty of leaders in the ranks of workers, employees and Government to work out a new relationship in consonance with a spirit of true democracy. All should consider themselves as partners of the industry and the role of workers in such a partnership should be recognized. On the other hand, workers must recognize employer's authority. It will naturally have impact on production because they recognize the interest of each other.
- **Reduced Wastage:** Good industrial relations are maintained on the basis of cooperation and recognition of each other. It will help increase production. Wastages of man, material and machines should be reduced to the minimum to protect the interests of all the stakeholders.

Ways to Improve Industrial Relations Situation in Organizations

- **Strong and Stable Union:** A strong and stable union in each industrial enterprise is essential for good industrial relations. There must be strong and stable unions in every enterprise to represent the majority of workers and negotiate with the management about the terms and conditions of service.
- **Mutual Trust:** Both management and labor should help in the development of an atmosphere of mutual cooperation, confidence and respect. Management should adopt a progressive outlook and should recognize the rights of workers. Similarly, labor unions should persuade their members to work for the common objectives of the organization.
- **Workers' Participation in Management:** The participation of workers in the management of the industrial unit should be encouraged by making effective use

of works committees, joint consultation and other methods. This will improve communication between managers and workers, increase productivity and lead to greater effectiveness.

- **Mutual Accommodation:** The employers must recognize the right of collective bargaining of the trade unions. In any organization, there must be a great emphasis on mutual accommodation rather than conflict or uncompromising attitude.

- **Sincere Implementation of Agreements:** The management should sincerely implement the settlements reached with the trade unions. The agreements between the management and the unions should be enforced both in letter and spirit else environment of uncertainty will be created.

- **Sound Personnel Policies:** The policies should be: – Formulated in consultation with the workers and their representatives if they are to be implemented effectively. – Clearly stated so that there is no confusion in the mind of anybody. – Implementation of the policies should be uniform throughout the organization to ensure fair treatment to each worker.

- **Government's Role:** The Government should play an active role for promoting industrial peace. It should make law for the compulsory recognition of a representative union in each industrial unit.

Collective Bargaining

Collective Bargaining' implies joint negotiation of a dispute between Management Representatives on one side and those of the employees, on the other. In wider sense, the concept of '**Collective Bargaining'** is a process being adopted by the unions and management for settling their conflicting interests.

The main features of this concept are:

- It is an advanced art to maintain harmonious human relations in the organisation.
- It is a method of sophisticated confrontation between the management and employees.
- It is a collective action initiated primarily by the union, supplemented by the management.
- The process comprises of two contending parties of equal strengths but having conflicting interests, i.e., Management and Union.
- It is relatively flexible and dynamic but not static.
- It is not a one-time exercise but a continuous and on-going process.
- It is a process to promote and nurture industrial democracy at work through 'Workers Participation in Management (WPM)'.
- It is necessarily a complementary but not a competitive process – No party should claim supremacy over the other.
- It aims at preparing the level playing ground for mutual trust and goodwill among both the parties.
- It should culminate into a healthy resolution of grievances and in turn, create a sense of belongingness among the employees.

Types of Activities of 'Collective Bargaining' Process

A Collective Bargaining process generally consists of two types of activities – distributive bargaining and, integrative bargaining.

> **Distributive Bargaining:** Here, the economic issues like wages and salaries and remuneration are discussed. Under this bargaining, one party's gain is another party's loss, i.e., it is a 'win-loss' situation, which is not conducive for maintaining cordial industrial relations in the organisation.

> **Integrative Bargaining:** This is a negotiation of an issue on which both parties may gain, or at least neither one loses, i.e., 'win-win' situation, which is ideal scenario for maintaining cordial Industrial Relations in the organisation. Discussions over the better job evaluation system or a better training programme for employees may be cited as examples of integrative bargaining.

Collective Bargaining Process

- Collective bargaining process could begin at the end of an earlier agreement or settlement such as wage settlement. It may also begin with the members of the union realizing the need of certain other benefits being necessary for the workers of the unit.

Typically, the process could include:

> The union writing to the employer making new demand and arguing as to how it is necessary and relevant to sanction the demand.
> The employer may on try to convince the union as to how the demand is irrelevant, and cannot be acceded to.
> The process may continue for some time with each party issuing notices, letters, replies to each other.
> The union may thereafter decide to intensify its action and give notice of non-cooperation or strike.
> To avert the production coming to a stand-still, the employer may call the union leaders for negotiations.
> The negotiations or rounds of negotiations, may take place with parties trying to prove their point of view.
> Finally, an agreement may be reached by both the parties leaving their rigid stand and compromising in the larger interest of the workers and the industrial unit.

Principles of Collective Bargaining Process

On the part of both Management and Trade Unions:

> The Collective Bargaining (CB) process should be made educative.
> To treat CB as a process to find best possible solutions and not as a means to achieve as much as one can.
> Both parties should command respect.
> There must be mutual confidence, good faith and a desire to make CB effective.

➤ There should be honest, able and responsible leadership on both sides.
➤ To observe and abide by all laws/Acts.

On the part of Trade Unions:

➤ Be friendly. No hostile attitude.
➤ Willing to listen the other side.
➤ Give opportunity to management to make its point of view.
➤ No aggression; but conciliatory approach.
➤ Don't advocate policy violations.
➤ Don't over-power which leads to distributive bargaining
➤ Maintain balanced Emotional Intelligence (EI).
➤ Do not put the blame on employees
➤ Don't be with problem. Try to suggest feasible solutions to their issue.
➤ Keep the membership in the meeting as small as possible.
➤ Respect the rights and compulsions of management.
➤ Don't take up any issue which is against policy and/or unreasonable.
➤ Do not encroach upon the rights and functions of Management
➤ Exhibit good, conciliatory and flexible attitude/behaviours

Benefits of Collective Bargaining Process

➤ It enhances mutual trust, understanding and goodwill among the management and unions.
➤ It provide for feasible means for adjustment of wages and employment conditions in tune with the ever-changing economic and technological kaleidoscope of the country.
➤ It encourages Industrial democracy through 'Workers Participation in Management (WPM)'.
➤ It serves as an effective tool for healthy communication channel between management and employees which helps to maintain cordial Industrial Relations in the organisation.
➤ It enables develop a sense of self-respect, belongingness and responsibility among the rank and file in the organisation.
➤ It smoothens the inter and intra-union rivalries/conflicts.
➤ It brings both the parties i.e., Management and Union together for arriving at a common consensus of the issues confronting employees and organisation, thus helps the management to attain the corporate business goals.
➤ It enhances leadership qualities and communication skills among the representatives of both sides.
➤ CB, being the wheel of Industrial peace, helps maintaining good employee-employer relationship.
➤ It enables the organisation to avoid or overcome frequent interruption of work due to eventual strikes, go-slow, lock outs, etc.
➤ In short, it promotes stability and prosperity of the organisation and enables achieving efficiency in the organisation.

Collective Bargaining Process i.e., Bipartitism in Banks

➤ The objectives of the bank unions were to ensure justice and adequate wages to its members. They have been fulfilling these objectives quite successfully. The practice of salary negotiations in the banks started almost – 56 years ago. Indeed, the first bi-partite settlement of October, 1966 in the banking industry is a turning point.

➤ Each bi-partite settlement witnesses discussions and settlements on the issues on which betterment is sought. Hence, the service conditions of Award Staff, i.e., Clerical and Sub-ordinate staff are governed by Sastry Award and Desai Award as modified from time to time through various measures including bi-partite settlements being entered into from time to time. As per the terms of the settlements, the tenure of the bi- partite settlement is for 5 years.

➤ The bi-partite settlements in the banking industry have set a tradition of resolving disputes, relating to the issues of salary and allowances, duty hours, medical aid and hospitalisation schemes, leave, computerisation, discipline.

➤ During the XIth Bipartite Settlement which was signed on 11.11.2020, a beginning was made by introducing **'Performance Linked Incentive'(PLI)** which is payable to Award Staff and officers in Banks which attained a minimum threshold level of net profit.

➤ Accordingly, the PLI is payable to all employees annually over and above the normal salary payable. The PLI matrix decides the amount payable to the employees (in number of days of pay Basic + DA) depending on the annual performance of the bank.

All the employees will get the number of days of pay as incentive depending on where in the matrix the bank's performance fits in broadly as per matrix under:

Sl. No.	YoY Growth in Operating Profit	No. of days for which Salary (Basic + DA shall be paid
1	< 5%	Nil
2	5% to 10%	5 days
3	>10% to 15%	10 days*
4	>15%	15 days*

CAIIB HRM Module D Unit 3- Employee Grievance Redressal and Discipline

Grievance

• **Experts have attempted to distinguish between dissatisfaction, complaint and a grievance.**

• Dissatisfaction is a state or feeling of discontent, whether expressed or not. Dissatisfaction made known by one employee to another is a complaint. Dissatisfaction related to the work situation brought to the notice of management, is a grievance.

• **Dale Yoder defines grievance as** "a written complaint filed by an employee claiming unfair treatment."

- **The International Labour Organisation (ILO) defines it as** "a complaint of one or more workers in respect of wages, allowances, conditions of work and interpretation of service stipulations such as overtime, leave and termination of service."

Causes & Effects of 'Grievance'

- There may be various causes for development of grievance within an employee. All these causes can be grouped under three broad heads, **Management-oriented, Employee-oriented and Inter/Intra-union traits**.
- **'Management-oriented' grievances** are such that are attributable to the sole actions or inactions of management of the organisation. There are certain organizations where, sound policies are framed, but due to varied attitudinal approach of the personnel holding the positions in the hierarchy, grievances may develop on the reasons of discrimination of one employee against another. Further, in certain organisations, a section of employees are said to be discriminated against others in implementing the policies on the premise of union affiliations thereby lending scope for harbouring the grievances among the workforce.
- **'Employee-oriented' grievances** are such which are related to sole actions, thinking process and psychology of the employees in the organisation. The employee develops a grievance within himself that such policies do not sub-serve the needs, and thereby, seeks to amend such policies to match with the requirements. Grievances, may be borne out of jealousy and contempt among employees, it is for the management to tactfully handle such grievances.
- There may be certain grievances amongst the workforce which may develop due to the **inter/intra-union rivalries** in the organizations. Under this category, the grievances may develop amongst the workforce as a culminating effect of both the causes orienting towards management and employees. Organizations with multiple unions having a thin line of difference in its sizes, may also often witness individual grievances amongst its employees focusing at the management.

Grievance Redressal Mechanism

- A grievance redressal procedure is a formal process which enables the parties to resolve their differences in a peaceful and expeditious manner.

The procedure and mechanism involved in the process may have the following features:

- ➢ Open communication channel.
- ➢ Understanding the employee point of view with sympathy.
- ➢ Identifying levels of authority where decisions can be taken speedily.
- ➢ Communicating the decision to the aggrieved employee without delay.
- ➢ Providing a scope for appeal and review where the employee is not satisfied with the decision.
- It is necessary to analyse the nature and types of the grievances and the causes. It is the responsibility of the personnel department to help the line managers in the

formulation of the policies and their implementation so that the causes of grievances are reduced. These policies or programmes are **called grievance redressal procedure.**

- **The Code of Discipline** which was adopted in the 15th session of the Indian Labour Conference in 1957 provided for a draft grievance procedure. This was approved in the 16th session of the Conference in 1958 and was recommended by the Government of India as a **Model Grievance Procedure** for adoption by various organisations. Following this, some banks provided for a formal grievance machinery and widely circulated the information among the staff.

- Many banks have introduced a formal and robust procedure for resolution of grievances containing the authorities to whom the employees to lodge their grievances and also the appellant authorities to whom the grievance can be escalated, in case, the grievance is not resolved to the satisfaction of the concerned employee. Such procedure also prescribe time-lines within which period the concerned authority has to dispose off the grievance at his/her end.

Grievance Settlement Authority

- The Industrial Disputes (Amendment) Act, 1982 provides for the reference of certain individual disputes to grievance settlement authorities. By this amendment a new section, namely, **Section 9C was added.**

- **Section 9C** of the Act requires the employer to set up **Grievance Settlement Authorities.** In every industrial establishment which employs 50 or more workmen, Grievance Settlement Authority is required to be set up for settlement of industrial disputes connected with an individual workman employed in the establishment.

- Where an industrial dispute connected with an individual workman arises the workman or any trade union of which the workman is a member refer the dispute to the Grievance Settlement Authority provided for by the employer. The Grievance Settlement Authority shall attempt to resolve the dispute.

- No reference shall be made under Chapter III of the Industrial Disputes Act with respect to any dispute referred **to under Section 9C unless** such dispute has been referred to the Grievance Settlement Authority concerned and the decision of the said authority is not acceptable to any of the parties to the dispute.

Administrative Measures Needed for Minimizing the Individual Grievances in Organizations

- Establishing open communication channels – vertical, horizontal and cross-sectional. Encourage upward communication.

- Formulating reasonably stable and flexible policies/procedures which are to be periodically reviewed, evaluated, assessed and revised.

- Adopt and nurture a participative style of functioning. Seek referendum from its workforce on major policies so as to secure their acceptance

- Interpret policies uniformly among all workforce without any deviations.

- Management and unions should function cohesively with mutual trust and understanding, thereby creating an overall congenial atmosphere in the organization. The personnel handling grievances should possess broad, open and co-operative attitude.

Conflict Management

- Conflict management is the approach and strategies geared towards achieving a positive outcome and resolution amongst the parties involved in matters relating to conflicts.
- These strategies and approaches are dependent on the type of conflict that exist, organizations, or institutions involved. It could be a systematic or unordered method that is task-specific, research-oriented, and requires proper attention.
- Conflict arises basically from different perception of a situation and the prestige and ego of the person perceiving the situation. The conflict resolution therefore would lie in the fact that the persons involved should endeavour to view the problem from the other's point of view, analyse the problem from a detached attitude, devoid of emotions and then attempt to solve the issue. It is likely that once an emotion-free approach is adopted, it may be easy to resolve the conflict.

Sources of 'Conflict' at Workplace

- Conflict is a product of group dynamics and differing perceptions of the members of the group. It also is a function of emotions attached to the problem by the person, or his ego.

Apart from these behavioural reasons, there could be other sources of conflict in a workplace as under:

➢ **Status incongruence**: Differences in the status in an organisation involving a salary difference of employees with similar profile, or that one gets promoted and the other does not can lead to a conflict situation as the one who got promoted finds it difficult to interact with the other person freely. An attempt at counseling and a realistic assessment of the situation could help resolve the conflict.

➢ **Competitive work environment:** Goals set in a highly competitive environment, and the lack of equal opportunities for achieving the same can lead to major conflicts especially if career growth and monetary rewards depend on the successful attainment of these goals. A judicial approach to such goal setting and a fair opportunity for all to succeed may help save the situation.

➢ **Differences in value systems**: This is a common source of conflict. People come from different backgrounds, different up-bringing, different culture and religion at the work place. They are of different age groups. Their value systems as to inter personal interaction, societal references, etc., differ. This, sometimes, causes a problem in the organisation.

➢ **Inadequate communication**: Many of the conflicting situations arise due to improper, incorrect, inadequate communication in the organisation. The communication at times get distorted-though unintentionally-which creates

confusion and problems. It will be observed that the sources of conflicts are manageable and conflicts can be resolved.

Consequences of 'Conflict'

Positive effects of 'Conflict':

- On the positive side, conflict can bring opportunity, development, and growth to individuals, groups, and organizations, resulting in increased cohesion and trust.

This apart, positive consequences for individuals involved in conflict can encompass:

- Reconciliation of interests/differences
- Improved sense of identity and solidarity
- Promotion of interaction between the parties
- Brings clarity on the real issue/s of conflict
- Foster positive attitude among the parties
- Increases trust between the parties
- Increases productivity and performance
- Cementing unity of the team
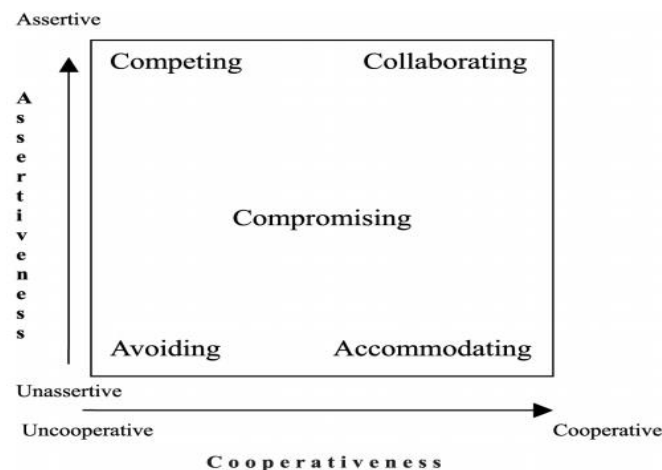
Negative effects of 'Conflict'

- Often the positive benefits of conflict are overshadowed by harmful consequences that result when disputing parties attempt to achieve their goals at the expense of others. Such forcing exchanges often bring about an escalation of the conflict that is difficult to reverse.

When forcing methods are used, any of the following negative consequences can follow:

- Escalation of minor conflicts into major conflicts
- Increase in number issues of the conflict
- Leads to upsurge of hidden interests in the conflict
- Breaking/straining of relationships between the parties

Conflict Resolution Techniques: 'Two Dimensional Model' of Conflict

Within this two-dimensional model, Thomas and Kilmann (1974) have developed a popular framework that accounts for five styles of handling conflict: competing, collaborating, avoiding, accommodating, and compromising.

- **Collaborating:** The collaborative approach to conflict is to manage it by maintaining interpersonal relationships and enduring that all parties to the conflict achieve their interests. This attitude toward conflict is one in which the individual acts not only on behalf of his/her self-interest, but on behalf of the other party's interests as well. This is a win-win posture, in which the stance of both the parties toward conflict management is win-win.

- **Compromising:** The compromise approach to conflict is to assume that a win/win solution is not possible and adopt a negotiating stance that involves a little bit of winning and a little bit of losing, with respect to both the interests and the relationships of the involved parties. The objective is to find some expedient, mutually acceptable solution that partially satisfies the interests of the parties involved. The parties' stance toward conflict management here is mini-win/mini-lose.

- **Accommodating:** This kind of conflict management requires that the parties involved accept the views of one another. The accommodating approach to conflict involves maintaining the interpersonal relationships at all costs, with little of no concern for the interests of the parties involved. Giving in, appeasing, and avoiding the conflict are viewed as ways of protecting the relationships. This is a yield lose/win approach, in which one's party's stance toward conflict management is to yield-lose, allowing the other parties to win.

- **Competing:** This type of conflict management strategy often involves individuals who are assertive and have the will power to fight till they achieve their goal and the other losing. The competing approach to conflict involves taking the necessary steps to ensure that interests are met, whatever the cost to the relationships involved. Conflict is viewed as a win or lost proposition, with winning somehow equated with status and competence.

- **Avoiding:** This is a type of conflict management strategy where there is an existence of avoidance such that the avoiders ignore the conflict. The avoidance approach to conflict is to view it as something to be shunned at all costs. A central theme of this style is hopelessness, which results in a high degree of frustration for all parties involved. The parties' interests are usually not met, nor is the interpersonal relationship maintained in this approach. This approach might take the form of diplomatically sidetracking an issue, postponing an issue,

or simply withdrawing from a threatening situation. This is a leave lose/win approach in which one party's stance toward conflict management is to leave-lose, allowing the other parties to win.

Situations/Circumstances Warranting to Select a Particular Strategy/Approach

- There are empirical studies reveal that generally, the approach to conflict one should select is contingent on the circumstances of the particular situation. The specific applications that call for each of these approaches are grouped by strategy as follows, starting with the most preferred approach and ending with the least preferred.

S.No.	Circumstances of a particular situation	Recommended Style / Approach
1.	1. When concerns are too important for compromise. 2. When no party has a good solution. 3. When complete resolutions are needed and to eliminate left-over negative feelings. 4. When the long-term relationship and outcome are important.	Collaborating
2.	1. When the goal of outcome of the conflict is not worth the time and energy required for collaboration. 2. When a quick and temporary expedient settlement is acceptable. 3. When collaborating does not work out and the conflict cannot otherwise be resolved. 4. When the outcome is not crucial and you are losing time.	Compromising
3.	1. When one party has a resolutely better solution. 2. When the issues involved are considerably more important to one party. 3. When continued competition could damage the relationship, leading to escalated conflict in future. 4. When you really don't care a lot about the outcome but do want to preserve or build the relationship.	Accommodating
4.	1. When quick, decisive action is expedient and vital. 2. When an issue is vital to the long term success of the organization. 3. When the needs of the other party are less or non-important. 4. When you don't care about the relationship but the outcome is important.	Competing
5.	1. When the issue is trivial and it is better to postpone or you don't have as great a concern about the outcome 2. When there is no possibility of either settling or resolving the issue. 3. When there will be potential damage to the organisation	Avoiding

Management Dilemma

- A 'dilemma' is a complicated issue created when a manager has to accomplish more than one goal at a time, and at first glance there is no right answer. **'Dilemma'** can also be defined as is the situation with two competing extremes where the actors are faced with "either... or..." choice.
- Thus, making decisions based on the "**dilemma**" approach means taking tough stands – situation that many managers are quite willing to avoid. When

organizations are faced with the "horns of dilemma", it is their organizational top leadership culture, i.e. the prevailing values, norms and practices that will usually determine the type of choices being made.

- **'Dilemma Management' is the process of addressing complicated problems and resolving them in a systematic manner.**
- The nature of dilemmas each organisation come across is distinct and unique and as such it may not be possible to predict all such dilemmas. Hence, the management need to suitably equip with a well-knit mechanism which can pre-empt any such dilemma and to evolve effective measures to overcome them.
- No business is immune from dilemmas that, if not handled wisely and in a timely fashion, could cause decreased productivity, low employee morale and diminished profitability. But by responding strategically, such problems arise less frequently and pose little threat to the company's continued stability and success.
- Dilemmas can stem from a lack of foresight and preparation or from something completely out of your control. Either way, organisations must realize there is a problem and try to identify it as early as possible and address it timely but don't avoid it as, avoidance only escalates the issue. They can start by analyzing what the underlying issue is and if they could have avoided the dilemma altogether which will help them prepare for future complications.

CAIIB HRM Module D Unit 4- Worker's Participation in Management

Worker Participation

- Worker Participation implies arrangements designed to involve workers in the enterprises decision making process. This allows for workers' involvement in the initiation, formulation and implementation of decisions within the organisation which strives to reach its goals through people.
- Workers participation in management is considered as a crystallization of the notion of the industrial democracy. It is an expression of the employer's desire to bind his employees into a team working together toward a common objective.
- In India, a state sponsored experiment started in the year 1957-58 when the Indian Labour Conference accepted the recommendation of a working group to set up the Joint Management Councils. Prior to this, the Industrial Disputes Act, 1947 stipulated constitution of Works Committee consisting of representatives of employers and workmen in the industrial establishments in which 100 or more workmen are employed.

'Participation': Concept & Definition, Types

Three groups of managerial decisions affect the workers of any industrial establishment.

➢ **Economic decisions –** methods of manufacturing, automation, shutdown, lay-offs, mergers.

> **Personnel decisions –** recruitment and selection, promotions, demotions, transfers, grievance settlement, work distribution.
> **Social decisions –** hours of work, welfare measures, questions affecting work rules and conduct of individual worker's safety, health, sanitation and noise control.

The level of participation, in practice, ranges as under:

> **Informative participation:** refers basically to information sharing concerning the balance sheet, production schedules, etc.
> **Consultative participation:** in which a joint council is constituted which considers matters such as welfare programmes, safety procedures, etc. However, the decision making power rests with the management.
> **Associative participation:** Here, the role of the joint council is not limited to advisory body. The council's recommendations in the defined areas are implemented by the management.
> **Administrative participation:** Where the decision comes to the council with alternatives to select from for implementation. Still there is no participation in the decision-making process but there is a choice to be made from a few alternatives and the alternative chosen jointly will be accepted for implementation.
> **Decisive participation:** Here, the decisions are taken jointly on matters relating to production, welfare, etc.

Benefits of Participation

- The confrontation or the level of resistance and resistance to change comes down.
- It ensures free communication and the channel for upward communication opens up. It helps in reducing the distortion or failure of communication and consequently implemented decisions become more effective.
- Joint decision-making reduces the conflicting situations and therefore the disputes. The productivity of the unit increases.
- Workers' Participation in Management (WPM) helps eliminating industrial disputes.
- It increases efficiency of employees.
- It prevents outside intervention and misleading by outsiders.
- It promotes an atmosphere of creativity among rank and file.

Methods of Participation

Work Committees

- The Industrial Disputes Act, 1947 provides for constitution of works committees in units employing 100 or more workmen. It has equal number of representatives of workmen and management. However, the total number of members in the Works Committee should not be more than 20.

- The workers' representatives are to be chosen in consultation with the registered trade unions and from among the employees of the organisation. The works committees are constituted to promote measures of amity and good relations between the employer and workmen.
- The works committee is intended to smooth away friction that might arise between the workers and management at the shop floor or department level.
- An evaluation of works committees, however, indicates that they are not very effective. This may be due to the fact that they function essentially in advisory capacity. There is also inter-union rivalry. Another reason for failure is that works committees are perceived by the employees to be indirectly conflicting with the objectives of trade unions. This may be the major reason for the works committee being not very effective.

Joint Management Councils

- While constituting works committees is a requirement as per the Industrial Disputes Act, Joint Management Council is a voluntary attempt to promote workers' participation in management. Joint Management Councils are established especially plant level in units employing 500 or more workmen. There are equal number of representatives from workers and management. However, the total number of members in the council not to exceed 12.
- The Council functions as a consultative forum, where the management shares information with it.
- Certain administrative responsibilities are also given to the Joint Management Council. The joint management councils are expected to work at the policy level (policy framing and implementation) without encroaching upon the functions of works committees. While evaluating, however, it is to be admitted that the Joint Management Councils do not seem to be getting adequate support. It may be due to the fact that these Councils basically are only at a level of consultative participation stage.

Workers' Participation on the Board

- Another notable effort towards workers' participation in management at the level of decision making, is nomination of workers' representative on the Board of Directors of the company.
- In nationalized banks, the workmen directors are appointed under the provisions of Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980, a Scheme made by the Central govt. The said scheme provides the procedure to identify the representative union for the purpose of appointing workmen director on the Board of Directors.
- The workmen director attends all the meetings of the Board and enjoys the same kind of rights as any other director has on the Board. The workers' participation is thus ensured at the highest level.
- Due to multiplicity of unions, this appointment becomes a matter of controversy and confrontation with the other union challenging the appointment, challenging

the membership number of the selected union and even challenging the membership verification process.

Joint Consultative Committees

- In 1975, the government introduced this particular form of workers' participation in management. In the first stage the scheme was introduced in manufacturing and mining industries in units employing 500 or more workers.
- The scheme has a two-tier participation model, viz. shop councils for the shop-floor level, and joint councils at the enterprise level. Joint councils are constituted for each department with equal representation of employers and workers. The total representation is restricted to 12.
- The shop council works for increase in production, overall efficiency, elimination of wastage, etc. It identifies areas of low productivity, absenteeism and even takes corrective steps.

Participation through Collective Bargaining (CB)

- Through the process of CB, management and workers may reach collective agreement regarding rules for the formulation and termination of the contract of employment, as well as conditions of service in an establishment
- For collective bargaining to work, the workers' and the employers' representatives need to bargain in the right spirit. But in practice, while bargaining, each party tries to take advantage of the other. This process of CB cannot be called worker participation in its strongest sense as in reality; CB is based on the crude concept of exercising power for the benefit of one party.

Participation through Suggestion Schemes

- Employees' views are invited and reward is given for the best suggestion. With this scheme, the employees' interest in the problems of the organisation is aroused and maintained.
- Suggestions can come from various levels with the ideas ranging from changes in inspection procedures to design changes, process simplification, paper-work reduction and the like. Out of various suggestions, those accepted could provide marginal to substantial benefits to the company. The rewards given to the employees are in line with the benefits derived from the suggestions.

Participation through Quality Circles (QC)

- The concept of QC was originated in Japan in the early 1960s and has now spread all over the world. A QC consists of seven to ten people from the same work area who meet regularly to define, analyse, and solve quality and related problems in their area. Training in problem-solving techniques is provided to the members. QCs are said to provide quick, concrete, and impressive results when correctly implemented.

Advantages of QCs

- Employees become involved in decision-making, acquire communication and analytical skills and improve efficiency of the work place.
- Organisation gets to enjoy higher savings-to-cost ratios. Chances of QC members to get promotions are enhanced. Technical problems got solved. Workers got to get out of their daily routine and do something challenging.

Disadvantages of QCs

- Trade unions look at it as a way of overburdening workers, and an attempt to undermine their role.
- These circles require a lot of time and commitment on the part of members for regular meetings, analysis, brainstorming and most QCs have a definite life cycle – one to three years.
- For QCs to succeed in the long run, the management needs to show its commitment by implementing some of the suggestions of the groups and providing feedback on the disposition of all suggestions.

Employee Stock Option Plans (ESOPs)

- This scheme can be implemented in any company, or public sector undertaking, whose shares have been listed on the major stock exchanges of the country.
- In India, it is implemented in various Multi-National Companies (MNCs) and software companies such as Infosys, Wipro and TCS. They introduced this scheme basically to arrest the growing attrition rate which is admittedly very high in the software industry.
- ESOPs are Employee Stock Option Plans under which employees receive the right to purchase a certain number of shares in the company at a predetermined price, as a reward for their performance and also as motivation for employees to keep increasing their performance. Employees typically have to wait for a certain duration known as vesting period before they can exercise the right to purchase the shares.
- The main aim of giving such a plan to its employees is to give shares of the company to its employees at a discounted price to the market price at the time of exercise.

Indian Banking Experience On 'Workers Participation In Management (WPM)'

- As regards the method of participation, the banks have adopted the model of participation on the Board of Directors. One director is nominated by the government on the board of directors of the public sector banks from the workmen union. The practice is to appoint the workman director from the union enjoying majority membership of the employees of the bank. Due to multiplicity of unions, this appointment in many banks has been a contentious issue.
- The banks are continuing with the model of participation at the Board level. The scheme also includes nomination of a representative of officers on the Board of Directors of the bank.

- The most popular method of workers' participation in management in banks is Collective bargaining process through periodical joint consultative meetings with representative unions.

CAIIB HRM Module D Unit 5- Employee Discipline

Discipline Management

- Discipline management involves creating an environment where employees voluntarily obey rules and regulations. It also means and includes handling cases of indiscipline or misconduct.
- There are various approaches to discipline management, where it is necessary to identify the causes of indiscipline, analyse the reasons, try to convince employees-through counselling-that they need to follow rules, and as a last resort, go in for punitive action.
- A progressive organisation should aim to reform the employees by right-sizing their attitudes rather than punishing them for their minor acts of omissions and commissions.

Following are some steps, which should enable the organisation to ensure promotion of positive discipline:

➢ The code of conduct, rules and regulations should be laid down clearly, with the consequences to the organisation in terms of losses and bad reputation which may result from not conforming to these norms, should also be clearly communicated to the workers.
➢ The norms and standards should be so decided that they are easy to adhere to. Setting impossible standards is bound to lead to deviation.
➢ Once the rules are framed, the adherence thereof must be insisted upon. Mere laying down of rules and regulations, and laxity in its implementation would not create an atmosphere of positive discipline.
➢ The laid down rules need to be modified periodically to ensure that outdated rules are removed from and new rules, wherever required, to be included in the rule book.

Employee – Counselling

- Counselling as an established process ensures better compliance to rules, leading to more productive employees. In matters of discipline, counseling which involves advising an employee, works as a major morale booster even when the going gets tough.
- Counseling is an elaborate process which includes intent listening by the superior and adopting a positive approach to guide the employee the right way. When it is noticed that an employee has committed an act of misconduct which is of minor nature, the counselling process could be helpful.

- Depending on the kind of misconduct and the reason put forth by the employee, the counseling process may end by giving necessary advice to the employee and taking corrective step in implementation of the rule. Counseling thus does not result in inflicting any punishment on the delinquent.

Reformative theory

- The reformative theory advocates that "**To err is human."** Where one has to take a view of inflicting punishment on the employee for a proved act of misconduct, the disciplinary authority decides what kind of punishment, will meet the ends of justice, based on the kind of punishment which can be imposed for certain acts of misconduct; however, prudence demands that the employee be given an opportunity to improve and towards this, the punishment given is less harsh in the hope that the employee will appreciate the gesture and be motivated to improve the behaviour.
- A progressive organisation should aim to reform the employees by right-sizing their attitudes rather than punishing them for their minor acts of omissions and commissions. The approach should be to correct the erring employees rather than being too strict or too lenient. The process includes preliminary enquiries, counselling, verbal reprimand or warning.

Principles of Natural Justice

- These principles are universally accepted set of rules which have survived the test of time. They ensure protection of rights of the individual employee. They provide a sort of guideline for disciplinary proceedings in all cases of misconduct.
- In essence, the principles say that there has to be a fair play, all along, during the disciplinary process, i.e., right from the issuance of charge sheet to the imposition of punishment, if the employee is found guilty of the charges. It states that the person who is proceeded against should have adequate notice of the proceedings against him/her, employees must have reasonable opportunity of being heard before the case is decided, and the authority must act impartially and in good faith.

The principles of natural justice, including later additions to these principles, are enumerated below:

- ➢ No man should be a judge in their own cause
- ➢ No one should be condemned unheard
- ➢ The employee proceeded against should be clearly informed of the charges levelled against him/her.
- ➢ The witnesses should be examined in the presence of the employee who should also be given a chance to cross-examine them
- ➢ The employee should be given a chance to examine their own witnesses
- ➢ Documents relied upon for proving the charge should be given to the employee for inspection
- ➢ The punishment to be imposed should be commensurate with the nature of the misconduct.

Disciplinary Rules In Banks

- The Standing Orders prescribe the rules of an establishment in respect of disciplinary procedure. In the banks, the disciplinary rules originated in the tribunal awards and are presently a part of the First Bi-Partite Settlement of October, 1966. They are in respect of workmen or award staff.
- For the officers of public sector banks, the rules framed by the Officer Employees' (Conduct) Regulations and Officer Employees' (Discipline and Appeal) Regulations are applicable.
- For the other private sector banks, individual banks have their own rules for the workmen staff. And for the managerial staff, in view of **sec.14-B of** the Specific Relief Act, a personal contract of service cannot be enforced.

Domestic Enquiry

- Departmental enquiry is not a mere formality but is a serious procedure and should, therefore, be conducted with due seriousness.
- Domestic enquiry is a quasi-judicial proceeding. Although the provisions of the **Evidence Act, 1872** do not apply, substantive principles of the Act should be kept in view.
- The scope of the enquiry is determined by the charge-sheet or articles of charge. It lays down the terms of reference for the enquiry officer. The enquiry officer should not go beyond the terms of charge-sheet.
- The employee proceeded against should be clearly informed of the charges levelled against.
- The entire proceedings should demonstrate a fair play on the part of the enquiry officer. If any doubt resides in a complex matter of what decision or ruling should be given, it is better to err in favour of the charge-sheeted employee.

Domestic Enquiry - Enquiry procedure

- **Notice of enquiry:** The time, place and date of the enquiry should be clearly stated in the notice. Reasonable period should be given to the employee to prepare for the enquiry.
- **Venue**: The place of the enquiry should generally be the unit where the employee is posted.
- **Evidence**: Any statement made in support of charges must be made in the presence of the charge-sheeted employee so that he/she has an opportunity to question such a statement.
- **Witness**: A witness is a person who appears in the enquiry either in support of the charges or in support of the CSE. The statements made by the witness are considered as oral evidence. The witness should be examined first by the party producing him; this is known as examination-in-chief.
- **Persons who can be present at the enquiry:** Only those connected with the proceedings can attend the enquiry. They are: **(a)** the enquiry officer, **(b)** the management representative (MR), **(c)** the CSE, **(d)** the defence representative

(DR), **(e)** the witness whose evidence is being recorded and a typist or a stenographer who records the minutes of the proceedings.

- **The proceedings:** At the first hearing the enquiry officer should enquire from the CSE whether the person has received the charge-sheet and has understood the contents thereof. Then in the presence of his/her representative officer should put a question to him/her as to whether he pleads guilty to the charges. If he/she pleads guilty, the person should be asked whether he/she has understood the consequences of his/her pleading guilty and whether he/she is doing so at his/her volition. Answers to these questions should be recorded, preferably, verbatim. If the CSE does not plead guilty to any or all the charges, the enquiry officer should ask the management representative to lead the case in support of charges.

Fraud in Banks

- '**Fraud' is a wrongful or criminal deception** intended to result in financial or personal gain. It can also be defined as an act or course of deception, an intentional concealment, omission, or perversion of truth, to **(1)** gain unlawful or unfair advantage, **(2)** induce another to part with some valuable item or surrender a legal right, or **(3)** inflict injury in some manner.
- The most common fraud that occurs in banks relate to shortage of cash when crediting a person's account or when paying out over the counter. Higher versions of fraud involve sanction of loans and advances on the basis of fraudulent documents.
- Most such litigation and enquiry are conducted in the public sector banks as officials of PSBs are considered to be public servants and are liable for disciplinary action under the provisions of the **Disciplinary and Conduct Rules of the Bank.**

Cyber Crime and the Banking Sector

- **PwC's Global Economic Crime Survey of 2020,** revealed that cyber crime has now reported crime globally and that 47% of organisations have been hit with cyber crime in the last two years.
- While there are numerous threats aimed at bank systems and their customers, one of the biggest threats, and often one of the hardest to detect, is that of malicious, careless and compromised users. These employees, contractors and partners are already inside the banks secure perimeter and have legitimate access to its sensitive data and IT systems.
- When these insiders abuse their privileged access or are compromised by external attackers, the valuable data is easily exposed. As banks continue to expand online and mobile access, they also expand the attack surface. As such, they must be vigilant against Distributed Denial of Service (DDoS) attacks and web application attacks such as credential stuffing.

Ways IT can secure against bank cyber attacks

- **Respond as if the network has already been breached**: Adopting this mindset forces the IT team to prioritize the most business-critical parts of the network and use network segmentation as a strategy. When done correctly, network segmentation, achieved through the creation of network zones, limits the ability for a hacker to move laterally across a compromised network but network segmentation requires continual updates and configurations.
- **Implement an enterprise-wide security policy:** A well-defined security policy serves as a crucial road map for any bank IT team to maintain a truly adaptive security architecture. It's what helps the people tasked with protecting the bank's systems determine the best way for the network to operate with minimal risk. Additionally, the security policy should take into consideration all regulatory and enterprise compliance requirements and how to apply timely patches to maintain compliance.
- **Security policy enforcement:** It's one thing to have a security policy that defines how the IT platform behaves and another to actually validate that it is being enforced across your network. Doing the former but not the latter might allow you to comply with some regulations, but it won't make your network safer.
- Organizations must constantly monitor their network for changes to configurations and ensure that these changes are approved and compliant with policy. It's a Collaborative effort across the enterprise—network operations, security operations, and the CIO.

The Risk Attached To Delegation Of Financial Powers

- All organisations that have different layers of staff as well as functions spread over various geographical areas have the need to delegate power and authority to officials at various levels. Thus, typically in a bank, the top management functions at a strategic level with very little exposure or involvement in day to day affairs of the Bank.

A cursory glance at various activities in a bank would reveal a broad division of functions and responsibilities as under:

Level	Authority
Top Management	Strategy and sanction of loans of large amounts.
Senior Management	Regional Large Branch Level. Sanction of Loans and Advances both Retail and Wholesale.
Middle Management	Large Medium Branches. Sanction of Loans more in Retail.
Junior Management	Processing of Loan Applications.

The risks associated with delegation of authority essentially refers to the **possible misuse of financial powers**. The best preventive measure is by **training employees in the correct procedure**, **by putting in checks and balances at every stage of a proposal** being prepared and approved and also a measurement system which gives indication of deviations if any from the laid down procedure which are considered as early indicators of defaults which again could be related to fraudulent activity.

Need For Vigilance Department In Banks

- The Central government through a statute, constituted **Central Vigilance Commission (CVC)** consisting of three Vigilance Commissioners out of whom one is designated as Chief Vigilance Commissioner.
- The Central Government has defined the role of **Chief Vigilance Officer** and all public sector undertakings including banks are required to have a Chief Vigilance Officer at a senior level who would be in a position to influence decisions and developments that could prove detrimental to the financial stability of the Bank.
- These CVOs come under the administrative control of CVC but not the bank management. The Chief Vigilance Officer has a Department both at the Central Office as well as at major regional offices so that preventive measures could be taken by these officers as soon as they come cross any signals that could lead to frauds in banks.
- As per the directives of CVC, each Regional / Zonal Officers of the Banks should have one **Vigilance Officer not below the rank of Chief Manager** who shall function directly under the administrative control of Chief Vigilance Officer (CVO) at Corporate Office.
- The roles and responsibilities of VOs have been clearly defined by CVC and they need to oversee the cases of frauds and other vigilance related issues including preventive vigilance matters in their respective Regions/ Zones and to directly report of CVO.

The Sexual Harassment Of Women At Workplace (Prevention, Prohibition And Redressal) Act, 2013

- It is a legislative act in India that seeks to protect women from sexual harassment at their place of work. The Bill got the assent of the President on 23 April 2013. The Act came into force from 9 December 2013. This statute superseded the Vishakha Guidelines for prevention of sexual harassment introduced by the Supreme Court of India.

Major Features of the Act

- The Act defines sexual harassment at the work place and creates a mechanism for redressal of complaints. It also provides safeguards against false or malicious charges.
- The Act also covers concepts of 'quid pro quo harassment' and 'hostile work environment' as forms of sexual harassment if it occurs in connection with an act or behaviour of sexual harassment.
- The definition of **"aggrieved woman",** who will get protection under the Act is extremely wide to cover all women, irrespective of her age or employment status, whether in the organised or unorganised sectors, public or private and covers clients, customers and domestic workers as well.
- While the "workplace" in the **Vishaka Guidelines** is confined to the traditional office set-up where there is a clear employer-employee relationship, the Act goes

much further to include organisations, department, office, branch unit etc, hospitals, nursing homes, educational institutions, sports institutes, stadiums, sports complex and any place visited by the employee during the course of employment including the transportation. Even non-traditional workplaces which involve tele-commuting get covered under this law

- **The Committee is required to complete the inquiry within a time period of 90 days**. On completion of the inquiry, the report will be sent to the employer or the District Officer, as the case may be, they are mandated to take action on the report within 60 days.

- Every employer is required to constitute an Internal Complaints Committee at each office or branch with 10 or more employees. The District Officer is required to constitute a Local Complaints Committee at each district, and if required at the block level.

- The Complaints Committees have the powers of civil courts for gathering evidence.

- The inquiry process under the Act should be confidential and the Act lays down a penalty of Rs. 5000 on the person who has breached confidentiality.

- The Act requires employers to conduct education and sensitisation programmes and develop policies against sexual harassment.

- Penalties have been prescribed for employers. Non-compliance with the provisions of the Act shall be punishable with a fine of up to ₹ 50,000.

- Government can order an officer to inspect workplace and records related to sexual harassment in any organisation.

Penal Code

- Through the Criminal Law (Amendment) Act, 2013, Section 354 was added to the Indian Penal Code that stipulates what consists of a sexual harassment offence and what the penalties shall be for a man committing such an offence.
- Penalties range from one to three years imprisonment and/or a fine. Additionally, with sexual harassment being a crime, employers are obligated to report offences.

Amendment to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 in May 2016

- There was an amendment to the Sexual Harassment at Workplace Act in May 2016. According to this amendment, the nomenclature was changed from 'Internal Complaints Committee' to 'Internal Committee' and 'Local Complaints Committee' to 'Local Committee'.

The role of Internal Committee (IC) is enhanced, they will have to ensure they work towards prevention and prohibition:

➢ Create a culture of zero tolerance against sexual harassment at workplace.
➢ Train your employees, managers and committees to identify such behavior and raise it.
➢ Practice open door policy! Encourage employees to clarify doubts and ask questions.

➢ Be pro-active and ensure IC constantly works towards building safety, security and conducive workplace for their employees.

➢ Have very effective guidelines for disciplinary action, code of business conduct.

➢ Keep a vigilant eye and take preventive measures to advocate harmonious workplace. Sharing case studies with employees and their outcome on the subject is recommended.

➢ Changing the way IC team is called has clearly enhanced their role in the organisations. They have to now work towards making workplace "free of harassment". It is the role of the employer and IC to provide employees with favorable workplace.

Compliance Rules of 'POSH ACT'

• **The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**, commonly referred to as the '**POSH Act' is** an Indian law was made effective in the whole of India on December 9, 2013, by the Ministry for Women and Child Development.

The PoSH Act protects all women employees in the workplace from sexual harassment regardless of whether:

➢ They are employed regularly, temporary, ad hoc or daily wage basis.
➢ They are employed directly or through an agent or a contractor.
➢ They are employed with or, without the knowledge of the principal employer.
➢ They are employed for remuneration or on a voluntary basis.
➢ The terms of employment are expressed or implied.

The POSH Act also applies to women contract workers, probationers, trainees, apprentices and interns

Section 2(n) of the said Act defines the term 'Sexual harassment' to include the following unwelcome acts:

➢ Physical contact and sexual advances.
➢ A demand or request for sexual favours.
➢ Making sexually coloured remarks.
➢ Showing pornography.
➢ Any other unwelcome physical, verbal or non-verbal conduct of sexual nature.

Employers' Responsibilities Mandated under the Act

• **Provision of a safe working environment in the workplace**

- **Constitution of an Internal Committee in every workplace with more than 10 employees:** The IC is responsible for hearing and redressing any complaints pertaining to sexual harassment in such workplace.
- **Constitution of the Local Committee in every District** for hearing and redressing complaints of sexual harassment from workplaces that may have fewer than 10 employees.
- **An in-depth inquiry into all complaints of sexual harassment:** The IC/LC, is required to conduct an inquiry into every complaint of sexual harassment in accordance with the provisions of the service rules applicable to the respondent within ninety days (90 days).
- **Organisation of workshops and awareness programmes at regular intervals for sensitising the employees with the provisions of the Act**
- **Punishment for false and malicious complaint and false evidence:** If the IC/LC finds that an allegation of sexual harassment is false, it can recommend the employer or District Officer to take action the woman or the person who has made the complaint in accordance with the provisions of the service rules applicable to them.

Constitution of Internal Committees (ICs)

As per the Act, the following composition shall be adhered to in constituting the Internal Committees (ICs):

Presiding Officer	Woman employed at a senior level at the workplace from amongst the employees.
Members	Not less than 2 members from amongst employees. Preferably committed to the cause of women or who have had experience in social work or have legal knowledge.
External Member	From an NGO or association committed to the cause of women or person familiar with issues relating to sexual harassment.

- Not less than half of the IC Members shall be women.
- The term of the IC Members shall not exceed 3 years.
- A minimum of 3 Members of the IC including the Presiding Officer are to be present for conducting the inquiry.

Powers of the Internal Committee (IC)

The POSH Act stipulates that the IC and LC shall, while inquiring into a complaint of workplace sexual harassment, have the same powers as vested in a civil court under the Code of Civil Procedure, 1908 when trying a suit in respect of:

- Summoning and enforcing the attendance of any person and examining him on oath
- Requiring the discovery and production of documents
- Any other matter which may be prescribed

Inquiry & Timelines as Prescribed Under the Act

- Written complaints (6 copies) along with supporting documents and names and addresses of witnesses have to be filed within 3 months of the date of the incident. Timeline extendable by another 3 months.

- Upon receipt of the complaint, one copy of the complaint is to be sent to the respondent within 7 days.
- Upon receipt of the copy of complaint, the respondent is required to reply to the complaint along with a list of supporting documents, and names and addresses of witnesses within 10 working days.
- The Inquiry has to be completed within a total of 90 days from the receipt of the complaint.
- The Inquiry report has to be issued within 10 days from the date of completion of inquiry.
- The employer is required to act on the recommendations of the IC/LC within 60 days of receipt of the Inquiry report.
- Appeal against the decision of the committee is allowed within 90 days from the date of recommendations.

Punishments and Compensation Prescribed Under the Act for Proven Acts of Sexual Harassment

- Punishment prescribed under the service rules of the organization (i.e., as per the provisions of Bipartite Settlements in respect of Award Staff and as per the provisions of Conduct Regulations in respect of Officer staff in Public Sector Banks).
- If the organization does not have service rules, disciplinary action including written apology, warning, reprimand, censure, withholding of promotion, withholding of pay rise or increments, terminating the respondent from service, undergoing a counselling session, or carrying out community service.
- Deduction of compensation payable to the aggrieved woman from the wages of the respondent.

Maintaining Confidentiality

- Recognising the sensitivity attached to matters pertaining to sexual harassment, the POSH Act specifically stipulates that information pertaining to workplace sexual harassment shall not be subject to the provisions of the Right to Information Act.
- Breach of the obligation to maintain confidentiality by a person entrusted with the duty to handle or deal with the complaint or conduct the inquiry, or make recommendations or take actions under the statute, is punishable in accordance with the provisions of the service rules applicable to the said person or where no such service rules exist, a fine of Rs.5000/-.

Penalties for Non-Compliance of the Provisions of the Act

- The POSH Act takes a firm stand against non-compliance of its provisions. If an employer fails to either constitute an Internal Committee, or discharge any of the other duties placed upon them under the act, they shall be punished with a fine which may extend to fifty thousand rupees (Rs. 50,000).

- In the event an employer contravenes the provisions of the POSH Act a second, they may be either fined twice the amount as the fine for the first contravention, or face cancellation of their license, permit or registration for carrying on their business or activity.

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HRM Module E – Emerging Scenario In HRM

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CAIIB HRM Module E Unit 1- Contemporary Practices in Employee Engagement

Employee Engagement

- **'Employee Engagement'** is a workplace approach where an organization creates the conditions and situations in which the employees give their best each day and work more than their capability and potential which is really very difficult task.
- 'Employee Engagement' is the extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort (extra time, brainpower and effort) to accomplishing tasks that are important to the achievement of organizational goals.

The three components of engagement, namely:

- ➤ **Cognitive –** It is the belief that an employee has about his company and its values.
- ➤ **Emotional –** It is the feeling an employee has about his/her colleagues, supervisors.
- ➤ **Behavioural –** Is what the employees exhibits at work commitment.

Various Features And Characteristics Of 'Employee Engagement'

There are five basic characteristics of 'Employee Engagement':

- Engagement depends on physical, mental, and psychological state, level of support to company innovation policy and implementation of change on specific work area.
- Engagement is in direct proposition to efficiency and effectiveness of labour activity.
- Degree of engagement in work among each employee greatly varies even when a homogeneous group of employees are on the same job/functions.
- Employee engagement may have both quantitative and qualitative expressions.
- Engagement is employee desire and skill actively (for the benefit of the organization) within their professional duties.

Drivers of 'Émployee Engagement'

- People-centric Culture of the Organisation
- Collaborative and Inspiring Leadership
- Workplace Culture and being an 'Employer of Choice'

- Culture of Meaningfulness
- Level of Trust and Respect
- Exciting 'Work-Life Balance'
- Employees' emotional commitment towards Job
- Extent to which the employee derives enjoyment
- Feeling of Pride and Inspiration
- Well-entrenched Communication
- Timely Recognition and Rewards
- Effective and Assertive Intra and Inter Personal Relationships
- Commitment to Corporate Social Responsibility (CSR) activities
- Organisation's Values and Goals
- Organisation's Reputation

Strategies to Engage Gen 'Y' Employees

- **Encourage employees to speak up:** Keeping an "open-door" policy is essential. The more you foster an open, safe space for communication, the more likely it is that your staff will bring great ideas to the table.
- **Help employees to get socialize**
- **Inclusive mentoring:** mentoring involves a mutual liaison between the supervisors and the juniors; junior employees procure knowledge and skills, understanding of roles and guidance from the mentor; in return supervisor benefits through productive use of knowledge, recognition and sense of satisfaction.
- **Stimulating Career Development:** Career development is a process of development rendered by organizations in improving skills and knowledge, individual growth; enriching the present job and preparing for the future.
- **New and Innovative Learning Interventions:** Gen-Y prefer multimedia training and e-learning enhancing them laterally and vertically to acquire skills with in a multi-directional career system.
- **Fascinating Work Environment:** Gen Y employees have greater preferences for workplace with flexible and unconventional work environment; common space to collaborate; relaxation activities; technological connections and social media; friendly co-workers and fun atmosphere.
- **Techno-savvy Communication Channels:** Technology paves way for information dissemination in a faster pace in today's workplace.
- **Evolve a Creative Knowledge Sharing System:** organizations should evolve a creative platform for knowledge sharing by this generation employees. If Gen Y employees feel that they are being heard and their knowledge is regarded and respected it makes them to be more loyal and committed to their jobs.

'Work From Home'

Benefits

- Flexibility and agility

- Improved employee retention
- Attract new talent
- Increased productivity
- Enhanced employee motivation
- Improved staff health and wellbeing:
- Financial benefits

Demerits

- Lack of physical exercise
- Difficulty in implementing disaster/business continuity strategy and high monitoring cost of the manager
- Professional isolation and organisational identification
- Impaired Superior-subordinate relationship
- Plenty of distractions affecting productivity adversely
- Strained Inter-personal Relationships: Strained family Relationships

Strategies To Keep Employees Engaged When They Are Working-from-home (WFH)

Community building: It is useful for an organization to adopt these strategies:

- ➢ Create a virtual office for employees.
- ➢ Invest in the best video conferencing and collaboration tools.
- ➢ Create a forum for employees to share personal as well as professional updates.
- ➢ Assign collaborative tasks weekly, encouraging team members to work together and stay connected.
- ➢ Create virtual team activities like online multiplayer games, quizzes to keep up their morale and boost their moods.
- ➢ Adopted a virtual coffee break.

- **Robust Communication:** Frequent corporate leadership communication (creating an information hub) - daily, weekly, or as available is the need of the hour.
- **Meaningful Goal Setting:** Set clear deliverables and specific metrics that will enable you to track outcomes and measure results.
- **Timely recognition:** Recognition in the workplace is quite essential for the overall success of the organization. It fuels their zeal to do better and earn appreciation from their managers and peers.
- **Fun-filled engagement:** Conducting periodic culture/attitude surveys to check with employees about what employees are thinking, feeling and doing etc. is also a very effective engagement tools for WFH employees. Add elements of fun through gamification to make work more enjoyable.
- **Harnessing learning habits:** Many companies have invested in e-learning platforms and employees will be able to learn new skills and upskill their existing skills in the extra hours

- **Provide Support for Equipment and other Business continuity disruption**
- **Engage employees in CSR Activities:** it instills pride in employees to be associated with a brand that is helping the community.

'Hybrid Model' of Working

- **'Hybrid Model'**, is a model in which employees can work at the office or from home, or can mix it up during the working week. While some workdays may require the physical presence of all employees, other working time can be a mix of physical and virtual presence.
- There is no single "best fit" model that can be replicated by all organizations, but a "fit for purpose" model that needs to be evolved by every organization basis its own unique business models. In order to ensure a seamless and smooth transition from entirely remote work process to Hybrid arrangement, organisations need to plan and execute the change meticulously.
- Organisations need to figure out innovative strategies to keep employees engaged and suitably equip with the right policies for rewards and recognition for high performance and good work.

'U-WORK' & 'ÓPEN2U': New And Novel Employment Models

- **Hindustan Unilever (HUL)** is reported to have invented two new employment models that challenge traditional employer-employee dynamics **U-Work and Open2U.**
- **Under 'U-Work',** HUL employees can choose to be engaged with the company in a flexible way while getting financial security, retirement, and medical benefits. India is among the key markets where Unilever has rolled out U-Work. Under this, an employee is required to put in six weeks of work in a year.
- **The 'Open2U'model,** introduced specifically for India, allows gig workers, who are not employed with the company, to work on different assignments/projects and get a financial safety net and medical benefits.

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CAIIB HRM Module E Unit 2- Organisational Culture & Creativity-New Imperatives

'Individual Culture' And 'Organizational Culture'

- '**Culture' is the set** of important understandings that members of a community share in common. It consists of a basic set of values, ideas, perceptions, preferences, concept of morality, code of conduct etc. which create a distinctiveness among human groups.

The four basic features of 'Culture' are:

- ➢ Every culture is unique.
- ➢ Cultures are triggers for spotting potential employees who will be a good fit for a particular job/role.
- ➢ Cultures are dynamic. They need to be grown and nurtured like any relationship. With the change in the organisations goal and mission, the culture might need to adjust and adopt.
- ➢ Some organizations can raise their internal cultures to become part of their external identity and set themselves apart.

These four features of 'Cultures' can provide required insight to define the term the 'organizational culture' more comprehensively. It reflects the employee experience, and it often determines whether companies win or lose.

'Organizational Culture' is the collective effect of the common beliefs, behaviours, and values of the people within a company. Organisational culture can also be defined as the philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes and norms that knit an organisation together and are shared by its employees.

Organizational culture/corporate culture includes-

➢ The ways the organization conducts its business, treats its employees, customers, and the wider community.
➢ The extent to which freedom is allowed in decision making, developing new ideas, and personal expression.
➢ How power and information flow through its hierarchy
➢ How committed employees are towards collective objectives.

Features of Organisational Culture

➢ **Innovation (Risk Orientation):** Organisations with cultures that place a high value on innovation and encourage their employees to take risks and innovate in the performance of their jobs.

➢ **Attention to Detail (Precision Orientation):** This characteristic of organizational culture dictates the degree to which employees are expected to be accurate in their work. A culture that places a high value on attention to detail expects its employees to perform their work with precision.

➢ **Emphasis on Outcome (Achievement Orientation):** Organisations that focus on results but not on how the results are achieved emphasize this value of organizational culture.

➢ **Emphasis on People (Fairness Orientation):** Organisations that place a high value on this characteristic of organizational culture place great importance on how their decisions will affect the people in their organizations.

➢ **Teamwork (Collaboration Orientation):** Organisations that organize work activities around teams instead of individuals place a high value on this characteristic of the organizational culture. People who work for these types of companies tend to have a positive relationship with their coworkers and managers.

➢ **Individual Autonomy (Responsibility Orientation):** Another chief characteristic of Orgnisational Culture is to allow the employees enough freedom at work and provide enough opportunities to exercise initiative which instils high degree of responsibility, accountability and ownership to what they do.

➢ **People Centric (People Orientation):** The degree to which, management decisions take into consideration the impact of outcomes on people within the organisation.

➢ **Aggressiveness (Competitive Orientation):** This characteristic of organizational culture dictates whether group members are expected to be assertive or easygoing when dealing with companies they compete with within the marketplace. Organisations with an aggressive culture place a high value on competitiveness and outperform the competition at all costs.

➢ **Stability (Rule Orientation):** Organisations whose culture place a high value on stability is rule-oriented, predictable, and bureaucratic in nature. These types of companies typically provide consistent and predictable levels of output and operate best in non-changing market conditions.

'Individual Creativity' And 'Organisational Creativity'

- **'Creativity' is defined** as the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others.
- **'Creativity' in the workplace** is increasingly viewed as an valuable organizational asset. The value of a creative workforce will only increase if and when the organizations resort to business expansion, continued and rapid changes in technology, increased competition for products and/or services, and regular changes to organizational structures, business strategies and work processes.
- **'Organizational Creativity'** has been defined as, the creation of a valuable, useful new product, service, idea, procedure, or process by individuals working together in a complex social system. It inspires employees to work with each other and encourages collaboration across the organisation.

There are six cultural characteristics that define an innovative Organisation:

➢ **Trust:** Among co-workers and also between the employer and the employee.
➢ **Integrity:** Employees know that their co-workers say what they mean and they mean what they say.
➢ **Respect:** Respect among the employees towards each other and also employer respects the employee and vice-versa.
➢ **Humility:** Employees accept each other feelings with all humbleness.
➢ **Faith:** Employees believe in their own abilities and have confidence to move forward.
➢ **Hope:** Employees are open to the possibilities that exist beyond their own experiences.

Factors Influencing 'Organisational Creativity'

- Organizational Climate
- Leadership Style
- Organisational Culture
- Resources And Skills
- Structure And Systems

'Individual Creativity' Vis-À-Vis 'Organisational Creativity'

- While all organizational creativity is a result of individual creativity but reverse is not true, i.e., all Individual Creativity is not of Organisation's. An organization must be efficient, productive and predictable whereas individuals may behave as they like according to situation or time and as such the individual behaviours are generally unpredictable.

Organisations should focus on three areas –

- **People,**
- **Environment and**
- **Processes.**

- ➢ **People:** Creative people are the sources of organizational creativity in as much as, organization is a congregation of people who work towards a common goal. Organizations need creative talents to foster innovation and creativity. People, being engine of innovation, organizational creativity can be maximized through increased individual creativity with the help of motivation.
- ➢ **Environment:** If the organization seeks to foster creativity it need to create certain physiological and physical comforts for its workforce, lest a new idea might be rejected and the status quo remains unchanged. Therefore, individual creativity has a huge advantage on organizational creativity in regards to the environment. Since, individuals working across the territories will have creative ideas such ideas/suggestions can be called through online platform.
- ➢ **Processes:** The process by which the organization manages the idea generation, congregation and analysis decides the quality and quantity of individual and organizational creativity. A good idea management process can help increase individual and organizational creativity. The biggest problem with individual creativity is their very nature of not scribbling their ideas when it struck to them and in their pursuit of recollecting at a later date, they will completely forget or decide not to do it at all. Hence, a robust and simple idea management platform, like Ideanote, can be used to solve this problem.

Distinction Between Creativity And Innovation

- • Innovation and creativity go hand in hand; greater creativity is a clue to more innovations. Creativity is generating innovative and appropriate ideas, especially at individual level. Innovation is the procedure through which these concepts are taken, established, refined, settled, explained and finally executed and/or applied. Creativity makes innovation into a pipeline.
- • **'Creativity'** is considered as a seed for innovation; motivate employees to generate generous ideas influence the psychological awareness of innovation in the organization.

The three extensive organizational factors in the creativity and innovation componential model that are related to creativity:

- ➢ Organizational motivation and support for innovation and creativity,
- ➢ Resources- everything the organization should have available to aid targeted work for innovation,
- ➢ Management practices, acknowledged the extent of job environment which linked to organization creative activities.

Essential Qualities Of A 'Creative Leader/Manager'

- • **Urge to acquire new knowledge:** Habit of constant questioning as to 'how' and 'why' of things, Strong passion and interest to think out-of-box, Ability to think creatively, An inherent urge to gauge and evaluate people in terms of their motives and attitudes etc.

- **Compassion:** Passion to meet different people with vivid knowledge and sensitivity, empathy and compassion for those in distress, responsiveness to delicate aspects/things.
- **Involvedness:** Potent with maturity and forward-looking, Being a visionary, Having capability to evolve appropriate solutions.
- **Boldness:** Calculated risk taking, passion for starting own ventures/projects, aiming big, having confidence on his/her own abilities/capabilities.
- **Autonomy/Freedom:** Questioning the status quo, open to others' views but keeping decision with self, emphatic putting forth of viewpoint, forceful assertion and venting of feelings.
- **Flexible:** Confidence in managing conflicts and crisis, faster adoption to the change and new challenges.
- **Self-reliance:** Confidence in operating in unfamiliar situations, tendency to take on challenging tasks, determination in reaching the set goals and accomplishing the projects/tasks.

Strategies To Create An 'Ethical Organisational Culture'

The following are some of the strategies to create an 'ethical culture' in organizations:

- **Management's visible Role-Modeling:** Role-Modeling is critical for an ethical culture to take a start in organizations. Employees look to the behavior of top management as a model of what's acceptable behaviour in the workplace. Thus, organizational leaders must practice what they preach and be sure that they model for others the desired behaviors that they wish to nurture within their organizations.
- **Communicate clearly the do's and don'ts on ethical expectations:** Ethical ambiguities can be reduced by creating and disseminating the code of ethics across the organization. It is important for employees to know what constitutes ethical behaviour and what does not. Therefore, it is important to evolve, formulate and disseminate a code of ethics among all employees.
- **Offer ethical education/training:** Organizations should set up seminars, workshops, town hall meetings and such other ethical training programmes. Innovative digital and online social media educational platforms like Intranet, Whatsapp, Facebook, postersetc may be used so as to create more awareness among Gen Y employees. Use these training sessions to reinforce the organization's standards of conduct, to clarify what practices are and are not permissible, and to address possible ethical dilemmas.
- **Focus on Ethical Skill Building and Problem Solving abilities:** organizations should focus their attention on developing ethical skills and problem-solving techniques. If an organization wants to create a culture of ethics they must be sure that members have the tools that they need to do so. These include adequate and appropriate training, consultation, modeling, and supervision. These tools also include being able to bring internal and external to the organization experts in to engage staff at all levels of training and problem solving as well.

- **Rewards and Punisment: T**here should be proper and fairly drawn policies and procedures for rewards for high compliance of code of ethics and punishments for non-compliance. If violating the code does not attract serious consequences to all levels of workforce regardless of their position and status, it will not be visible as important.

- **Foster an open culture:** Fostering a culture of openness potent with emphasis on bringing out truth irrespective of position and status, is very critical to the creation of an effective ethical culture. Top Management should do everything in their power to encourage a open culture and investigate all allegations that come to them. Whistle-blowers help bring vision to the wilfully blind; the messages they send should never be ignored or suppressed.

- **Provide safe and protective mechanisms:** The organization needs to provide formal mechanisms so that employees can discuss ethical dilemmas and report unethical behavior without fear of reprimand. This might include creation of ethical counselors, ombudsmen, or ethical officers.

- **Provide Corrective feedback:** Another basic and important principles of fostering ethical cultures is to provide immediate corrective feedback. Unless organizations offer timely and thoughtful corrective feedback regarding ethical behaviour of individuals, they cannot create a robust culture of ethics. Reinforcement for high ethical behaviour and timely corrective feedback for undesirable behaviour is vital to help create and sustain a culture of ethical behaviours and cultures in organisations.

CAIIB HRM Module E Unit 3- 'Corporate Sustainability & 'Green HRM'

Corporate Sustainability

- **'Corporate Sustainability'** is an approach aiming to create long-term stakeholder value through the implementation of a business strategy that focuses on the **ethical, social, environmental, cultural, and economic dimensions of doing business.**

- It is the strategy whereby a business delivers its goods and services in a manner that is both environmentally sustainable and supports its economic growth. It can be considered as the process of organizational change, i.e., sustainability driven change. The purpose of this change is to move the organization to the state in which equally distributed attention to economic, social, and environmental concerns is incorporated into its strategy.

- Corporate sustainability helps mitigate risks, build brand reputation, increase revenue, reduce costs and attract investment.

Three Pillars of 'Corporate Sustainability'

Difference Between 'Corporate Sustainability' and 'Corporate Social Responsibility'

S.No.	Key factor	Difference between	
		Corporate Social Responsibility	**Corporate Sustainability**
1.	Concept	It is more about *compliance* than business.	It is all about *business* but not on rudiments.
2.	Applicability	It focuses more on the *present*.	It focuses more on *future* and remain viable for years to come.
3.	Scale	It is a much *broader concept*.	It is *an integral part* of CSR.
4.	Vision	It often *looks backward* and reflects on what a company has done to contribute to society.	It *looks forward* and develops a sustainable strategy for the future.
5.	Target/Focus	Its target is *opinion formation* (e.g., media, politicians, and pressure groups).	It looks at the *whole value chain* (i.e., everyone from end-consumers to stakeholders).
6.	Motivation/ Driving Force	Is to *protect a company's reputation*.	More to do with *creating new opportunities for emerging markets*.
7.	Management	It is managed by *communications team*.	It is managed by *Operations & Marketing vertical*.

Strategic HRM

- **'Strategic HRM'** is defined as the practice of aligning HR practices with organizations' business strategy to achieve its set goals. When business goals or

objectives are concerned, it aims to ensure that HR strategy is not a means but an end in itself i.e., HR should effectively deliver the business.

- **Strategic HRM** is the alignment of human resource practices throughout the organizational structure, organizational culture, work performance, and the internal and external environments. It is the integration of HRM with organization's strategy by pay for performance management, the employees' competences in terms of knowledge, skills, abilities, that is also known as human capital. It includes training and skill development, hire and select the right person for job fit.

Sustainable HRM

- **'Sustainable HRM' (STHRM)** is the adaption of HRM strategies and practices that enables the achievement of financial, social and ecological goals, with an impact inside and outside of the organization and over a long-term while controlling for unintended side effects and negative feedback.

Features of 'Sustainable HRM'

- ➢ It is an inclusive approach to action recognising decisions in organizations that affect the lives of all persons concerned.
- ➢ It commits to refraining from pursuing short-term cost-driven HRM practices that are unfavourable for employees and their families or communities and promotes proactive steps to develop mutually beneficial and regenerative relationships between employees and different resource providers.
- ➢ It is a collaborative HR development facilitating employee participation, open communication, work roles, and performance evaluation focused on building employee strengths and facilitating performance.
- ➢ It also promotes trust between employees and managers in a given situation.
- ➢ It supports the environmentally-friendly organizational practices and organization's sustainable development strategy.
- ➢ It emphasizes fair treatment, development, and the well-being of employees.
- ➢ It contributes to building the skills, value, and trust of employees and increases their engagement in sustainable development.
- ➢ It focuses on the well-being of the internal customers (employees) and external customers
- ➢ It seeks to achieve positive human or social outcomes by the implementation of sustainable work systems, and thus facilitates employees' work-life balance without compromising performance.

Various Forms of Sustainable HRM

Socially Responsible HRM

- In its early stages of its evolution, Sustainable HRM was termed as 'Socially Responsible HRM'. In fact, most-earlier stage of Sustainable HRM was in the form of **'Soft HRM'** which focussed on the primary role of conserving Human Capital. This form of sustainable HRM in the stage of '**Soft HRM' is defined by Thom and**

Zaugg (2004) as - those long-term oriented conceptual approaches and activities aimed at socially responsible and economically appropriate recruitment and selection, development, deployment, and release of employees.

- In a later stage of evolution of 'Sustainable HRM' is the '**Socially Responsible HRM**' as observed by Shen and Benson (2016) which he understood 'Socially Responsible HRM' as not only an important part of a company's sustainability or CSR strategy but also as an implementation tool.
- The purpose of implementing **Socially Responsible HRM** is to minimize negative impacts on business and to reduce business risks. The purpose is not to improve the life of employees in supply chains, instead to manage the economic risks associated with people management practices in the supply chain. Thus, indirectly, the social purpose serves the economic purpose.

Green HRM

- **'Green HRM' is primarily concerned with environmental sustainability** in business organizations. Green HRM conceptually seeks to align the resolve of the countries across the world to save the environmental wealth and to overcome the increased negative impact of global warming etc.
- Green HRM practices such as green hiring (e.g., hiring the individuals qualified in courses that impart environmental knowledge), and green compensation (e.g., linking bonuses and perks with the achievement of environmental goals) etc., have been shown to have a significant impact on sustainable success of Green HRM.

Triple Bottom-Line HRM

- **Triple Bottom Line HRM can be defined as HRM function** characterized by the **maximization and balancing of economic, environmental, and social organizational goals.**
- This approach advocates that a broader understanding of Sustainable HRM is possible when HRM is regarded as a generic approach to people management that focuses on both employee-oriented practices (such as employee well-being or involvement) while also considering the impact of HRM on its social and ecological environments (such as resource regeneration) and/or ecological goals.
- In comparison with earlier two forms, Triple Bottom-line HRM redefines performance in win-win-win terms of "people, profits, and planet" shared-values, and multidimensional outcomes.

Common Good HRM

- Common Good model assumes that it is the primary responsibility of business to make an effective contribution to resolving the sustainability challenges that are being faced by the society.
- Common Good HRM has the impact on the purpose, concerns, and output of HR.
- It necessitates that organizations review not only their operational procedures and practices with regard to regulatory compliance, but also to radically review their traditional profit oriented viewpoint.

- It focuses more on environmental and societal impact, thus reversing the business perspective from inside-out to outside-in.
- Instead of focusing on an economic purpose, the primary purpose of Common Good HRM is to support business leaders and employees in contributing to ecological and social progress in the world.

'Green HRM' Practices In Banking Industry

- Green management in Banks is a process whereby the concerned Bank handles the environment by developing a robust environmental management policy under which banking has to attain an equilibrium between its mandatory banking role and conserving nature and environment for future generations.

HR areas in which the Green movement can be envisaged, thought of and can be implemented in Indian Banks are as follows:-

Green Recruitment & Selection:

- '**Green recruitment' means** pap-free recruitment process with minimal environment impact i.e., online telephonic or may be video calling – using Skype or such other technological means.
- It includes a process of hiring prospective employees who are skilled and qualified in corporate sustainability process, environmental issues and also familiar with the knowledge and issues on preservation and sustainable environmental policies.
- Green HRM that enabled the Banks to attract a pool of environmentally responsible candidates by focusing on environmental knowledge and motivation. In addition, it led to the creation of a green workforce that successfully and effectively contributed to the ecological practices of the Banks.

Green Training and Development

- **Green Training & Development'** focuses on developing of employee's skills, knowledge and attitudes towards environment management. It makes the change in working methods that decrease wastage, proper utilization of resource, conservation of resources and reduce the use of less available resources.
- Many Banks are providing training related to green policies to their employees to help them to reduce carbon footprints. The green training and development aims to educate employees about the values of environmental management, reduce waste, environmental problem solving techniques and strategies and diffuse environmental awareness in the banking organization.

Green Performance Management

- The basic objective of the Performance management (PM) system in green management in Banks is to measure ecological performance standards through different departments of the organization and achieve useful information on the green performance of employees and officers.

- Green Performance Appraisal is employee performance appraisal of how well they are making progress towards a green environment. It is important to communicate green schemes to all levels of staff and officers/ employees can set green targets and responsibilities.

Green Compensation and Reward Management

- As a part of the Bank-specific incentive systems, monetary, non-monetary and recognition based environmental reward systems and monthly/ quarterly bonuses can be provided based on performance outcomes in green goals and environmental balance. Use of e-vehicles, carbon emission standards and regeneration sources of energy are the key consideration for executive incentive payment as an appreciation of green efforts.

Green Employee Relations

- Employee participation in Green initiatives increases the chances of better green management as it aligns employees' goals, capabilities and perceptions with green management practices and systems. Involving employees in Environmental Management activities will have advantages such as efficient resource usage, reducing and recycling waste and decreased pollution from workplaces etc
- Adaption of Green HRM will help in creating awareness and generating new ideas on the eco-friendly practices in Banks. This gives scope to encourage employees and their families to get connected in environmental tasks. The awareness of Green HRM in Banking Industry is steadily being uncovered as some of the reputed organizations have been instituting '**Green Awards'** to those Banks and Financial Institutions who have excelled in rolling out environmental-friendly activities in their organizations.

Other Initiatives Towards 'Environmental Management' as a Part of 'Green Endeavours'

- **Adapting paperless Banking even in HR functions** – Extensive use of HRMS encompassing almost all employee benefit schemes like - online leave applications, applying and approving of medical and hospital claims, online performance appraisals, online applications for promotions, placements and transfers, soft copies of Board Memoranda and other conference materials, extensive use of Corporate e-mails, Mobile conversations etc in place of paper correspondence, displacing paper files etc.
- **Virtual meetings** and Video conferences, Teleconference, Zoom Meetings, virtual interviews for promotion and recruitments (wherever feasible) thereby avoiding physical travels.
- **Encouraging Car pooling/sharing facilities** especially to those executives who have been provided with Bank's cars, Purchasing electrical vehicles/cars and providing them to eligible officers/executives.
- **Green Auditing -** Introducing online auditing of bank books, conducting internal energy audit in the organization.

- **Green Energy –** Recycled solar energy to light bulbs and heat water and efficient electrical appliance such as 5 star rated air conditioners, water and energy products etc., Improved insulation, installing timers to automatically turn off the lights, Installing solar energy plants, Replacing energy-intensive bulbs/tube-lights with LED bulbs and tubes, Reducing the brightness of the computer screens.

Advantages of Green HRM

- It builds a strong socially responsible brand image and recognition, increased workforce productivity, efficiency, motivation and employee retention.
- It creates environmental friendly organizational culture and work climate, the increased efficiency of various resources.
- It aims to increase workers' engagement in a work environment that allows the company to function in an environmentally friendly manner.
- It helps for formation of positive corporate image and increased economic and eco-performance.
- It can support organizations to minimize expenses without losing talent.
- It gives competitive advantage to the business by increasing customer confidence in the business. It develops a culture of concern for the holistic wellbeing of fellow employees.
- It can be used to create good public relations if an organization adds a green initiative to its workplace.
- It will be useful to reduce the organisation's carbon footprint by means of less printing of paper, video conferencing and interviews, etc.
- It enhances business opportunities as some government companies and non-profit organizations will purchase products and services from those companies that meet the green standards.
- Company reputation increases in the Public as the organisations that adopt green standards will gain more publicity.

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CAIIB HRM Module E Unit 4-HR Analytics', 'HR Entrepreneurship' & 'AI-based HR Solutions': New HR Trends For Future

HR Analytics

- **'HR Analytics'** is the process of collecting, processing, transforming and managing HR related data which is the further put to analytical data models and the process of analytics focuses on connecting human resources practices to strategic business plans and to achieve desired goals.

- Human Resource Analytics (HR Analytics) is defined as the area in the field of analytics that deals with people analysis and applying analytical process to the human capital within the organization to improve employee performance and improving employee retention.

It is a methodology for creating insights on how investments in human capital assets contribute to the success of four principal outcomes:

- ➢ Generating revenue,
- ➢ Minimizing expenses,
- ➢ Mitigating risks, and
- ➢ Executing strategic plans.

Difference between 'HR Analytics', 'People Analytics' and 'Workforce Analytics'

- **'HR Analytics'** basically deals with the metrics of the HR function like – Key Performance Indicator (KPI), employee turnover, time to recruit, training

expense per employee, and promotion cycles etc. All these metrics are administered and managed exclusively by HR function for the people ie., Human Resource. **'Human Analytics'** is a most powerful tool which helps to determine and validate decisions that illustrate the driving forces behind individuals" and group behaviours and performance."

- **'People Analytics'** instill the approach of measuring and analyzing all the information and data relating to employees, shareholders, customers, suppliers etc. and inter-twine it together to aid and improve the quality of decisions and business excellence and performance.

- **'Workforce Analytics'** although refers to 'employees' but it encompasses all types of employees i.e., regular employees, on-sight employees, remote employees, freelancers, consultants or any other individuals working in any capacity in the organization and also make scope for future inclusion of AI and robots that will potentially replace current jobs within an organization. Data on employee productivity and performance informs both HR and workforce analytics, and the goal is to improve retention rate and enhance the employee experience.

HR Metrics vs HR Analytics

Aspect	HR Metrics	HR Analytics
Concept	HR Metrics are typically associated with operational measures and numbers the organizations to track. They are generally used to analyze performance, efficiency and the impact of certain practices or changes.	HR Analytics imply analyses and decision making and mainly focus on comparing variables to guide future decisions. Often, the focus is on developing business measures that can predict future outcomes, allowing the organizations to anticipate the impact of individual decisions in advance.
Objective	HR Metrics are what the organization measures to gauge performance or progress within a company or organization. They are key figures that help firms to analyse their human capital and measure how to find ways to utilize their human resources. They also used to determine the effectiveness and efficiency of HR policies.	HR Analytics use HR metrics to help the organization make decisions about how to move forward also to help to track effectiveness of metrics on HR and business outcomes.
Scope	HR Metrics restrict its scope only to reveal as to what is happening, or has recently happened, based on hard data. HR Metrics are measurements.	HR Analytics, like HR Metrics, are also based on hard data. But they look beyond the numbers and to try to find out as why something is happening and what the impact of what's happening, its reasons and links that may otherwise be difficult to identify or spot.
Illustration	Examining the number of turnovers in a particular vertical/section and calculate it as a percentage to total workforce in the particular vertical/section.	Finding common reasons for employees who leave the organization and to create a plan to remedy the reasons that may prompt other workers to adapt the same path.

Broad Areas of Application of 'HR Analytics'

Types of 'HR Analytics'

- HR Analytics used by businesses are **Descriptive Analytics**, which focuses on what has happened in a business**; Predictive Analytics**, which focuses on what

could happen; and **Prescriptive Analytics**, which focuses on what should happen.

Descriptive Analytics:

- It is a used form of data analysis whereby historical data is collected, organized and then presented in a way that is easily understood.
- It is focused only on what has already happened in a business and, unlike other methods of analysis it is not used to draw inferences or predictions from its findings. It is, rather, a starting point used to inform or prepare data for further analysis down the line.
- Descriptive Analytics uses two key methods, **Data Aggregation and Data Mining,** to discover historical data. Data Aggregation is the process of collecting and organising data to create manageable data sets. These data sets are then used in the data mining phase where patterns, trends and meaning are identified and then presented in an understandable way.

Advantages and Disadvantages of Descriptive Analytics

- ➢ Since Descriptive Analytics relies only on historical data and simple calculations, this methodology can easily be applied in day-to-day operations, and its application doesn't necessarily require an extensive knowledge of analytics. This means that businesses can relatively quickly and easily report on performance and gain insights that can be used to make improvements.
- ➢ Descriptive Analytics has the obvious limitation that it doesn't look beyond the surface of the data – this is where predictive and prescriptive analytics come into play.

Predictive Analytics:

- Predictive Analytics focuses on predicting and understanding what could happen in the future. Analysing past data patterns and trends by looking at historical data and customer insights can predict what might happen going forward and, in doing so, inform many aspects of a business & HR, including setting realistic goals, effective planning, managing performance expectations and avoiding risks.
- Predictive Analytics is based on probabilities. Using a variety of techniques – such as data mining, statistical modelling and machine learning algorithms – it attempts to forecast possible future outcomes and the likelihood of those events.

Advantages and Disadvantages of Predictive Analytics

- ➢ Predictive Analytics can help talent acquisition teams determine if someone will be a good cultural fit for the organization before they're hired. It could even provide estimations on how long the person will stay with the company.
- ➢ Predictive Analytics can also improve many areas of a business, including – Efficiency (including inventory forecasting), Customer Service, Fraud detection and prevention, Identifying possible security breaches in HR that require further investigation and Risk reduction which might mean improved candidate screening. With the help of Predictive Analytics, HR specialists can augment

background checks, Forecasting employee turnover, Workforce planning etc. This method of analysis relies on the existence of historical data, usually large amounts of it.

Prescriptive Analytics:

- Prescriptive Analytics provides recommendations on what to do based on predictions and what has occurred in the past. If descriptive analytics tells you what has happened and predictive analytics tells you what could happen, then prescriptive analytics tells you what should be done.
- It calls businesses to action, helping executives, managers and operational employees make the best possible decisions based on the data available to them.
- Prescriptive Analytics could even help determine how to properly onboard new hiring, based on their skills and strengths, and across the employee life cycle.

Advantages and Disadvantages of Prescriptive Analytics

➢ Prescriptive analytics, when used effectively, provides invaluable insights in order to make the best possible, data-based decisions to optimise business performance.
➢ This methodology requires large amounts of data to produce useful results, which isn't always available. Also, machine learning algorithms, on which this analysis often relies, cannot always account for all external variables. On the flip side, the use of machine learning dramatically reduces the possibility of human error.

Steps Involved in 'HR Analytics' Strategy Implementation

- **Framing questionnaire on Business/HR:** This one is the initial step to explain as to what is the business reason to undertake this analysis. A clearly framed and well-defined business questionnaire ensures the exact purpose of undertaking the analytics work.
- **Building Hypothesis:** Building and clarifying a hypothesis or assumptions is important for "testing" beliefs about the causes of business issues.
- **Gathering data:** The data gathering step requires identifying the most relevant data for testing the hypotheses and determining whether data quality is sufficient to proceed. Decisions need to be taken as to whether to gather existing data, collect new data, or do both.
- **Conducting Analysis:** This is the step where the methodology and statistics are applied to data to test the hypotheses and provide the basis for insights. Without performing analysis, patterns in data will never be discovered.
- **Revealing Insights:** HR Analysts must uncover insights because if analysts present only data and analysis without insights, organization and executives might draw their own conclusions to best fit their preconceptions which may defeat the very purpose of the exercise.
- **Providing Recommendations:** A well-articulated recommendations on what the business / HR leaders need makes a great impetus for change. Some Analytics

projects fail at this stage simply because recommendations are not expressed clearly.

- **Putting Your Point Across:** Experienced practitioners and leaders use storytelling and carefully consider their visualizations to create the desired impact of their recommendations and/or the pointed message.
- **Implementation And Evaluation: I**t ensures that decisions are made as a result of your project. It formulates actions for implementation based on those decisions. It facilitates evaluating the project against whether it returned value to the organization.

Advantages of 'HR Analytics'

- **To make better HR decisions:** An important role of HR analytics is to provide access to critical data and insights about the workforce which can be then analyzed for making better decisions.
- **To ensure better Quality of Hire:** Running machine learning algorithms on jobseeker's data allows organizations to identify the best matching talent for a vacant position, thus improving the quality of hire.
- **Employee Retention:** HR analytics helps identify the departments /sections suffering from the maximum attrition and the reasons for it.
- **Transforming HR as a strategic business partner:** HR professionals can provide business leaders with verifiable data to back their talent hiring, retention and engagement policies.
- **Help to predict the hiring needs:** Using HR analytics, one can predict the skills and positions which are needed to improve business performance.

Disadvantages of 'HR Analytics'

- **Security issues:** Since HR deal with huge amount of sensitive and confidential data, security and privacy are two main concerns. Any HR analytics system which handles this data must be designed to prevent any unauthorized access. There have to be multiple levels of access and the system must be constantly monitored for any data theft.
- **Costly:** Maintaining such a system will obviously lead to greater costs and that's the second main disadvantage to implementing HR analytics. High acquisition and maintenance costs mostly act as a deterrent, especially for smaller companies to implement such a system.
- **Require special expertise:** Also, operating a sophisticated HR analytics tool requires special expertise and that results in additional training costs, or the costs of hiring an IT expert to handle this system.

HR Entrepreneurship

- HR Entrepreneur is HR professional who have a blend of creative thinking and a constant urge to innovate better and viable products and services in HR functioning which can sub-serve the needs of people in the organization and also in meeting the corporate business goals.

Some of qualities of HR Entrepreneur are as under:

➢ Efficiently manage the basic HR operations.
➢ Do not confine himself/herself to the role of people management but lean in on to business holistically
➢ Have innovative ability to evolve creative HR policies concerning people which drive them to deliver business.
➢ Propensity to take high risks and greater challenges.
➢ Reward employees possessing entrepreneurial abilities.
➢ Embrace constraints and have ability to face them resolutely and boldly.
➢ Possessing holistic understanding and perspective of organizational goals and strategies.
➢ Do not wait for change instead lead it from front.
➢ Have the thorough knowledge and understanding of the market dynamics in which the business of the organization operates.
➢ Well-aligned to the operational and technical aspects of the business, just as the line managers.
➢ Proactively look for opportunities to drive better business results.
➢ Facilitate and imbibe a futuristic approach all the time among people across the organization.

HR Consultancy / Outsourcing

• **'Human Resource Outsourcing'** is a practice in which an organization hires a third-party organisation to handle its human resources activities. It is a contractual agreement between an employer and an external third-party provider whereby the employer transfers the management and responsibility for certain HR functions to the external provider.
• Many organisations including Banks, have been outsourcing many of heir non-strategic HR functions to HR professional Agencies. This is being resort to with various objectives.

Some of such objectives are:

➢ Delivering cost savings – whether direct or indirect.
➢ Liberate internal HR resources to be redeployed to man developmental HR roles which are augmenting to business.
➢ To focusing more on the strategies to achieve business rather than on internal processes.
➢ To ensure compliance with legal, regulatory and best practice requirements.
➢ Sharing risk and liability for people issues with the outsourcing firm.
➢ Saving time and efforts through improved efficiency.
➢ Helping to create a stable, cost-effective operating HR platform
➢ Turning the HR function as more professional and transformational
➢ Building the organization as a great place to work with

Broad Areas of HR outsourcing

- Organizations have been resorting to outsourcing very many functions (except those which are critical and confidential) of HR as, either there being short of talents to man and handle some new and upcoming contemporary areas and/or to free the manpower of HR function to deploy in productive business functions.

Some of such functions/areas of HR which can be outsourced are:

➢ Human Resource Management System, including Pay Roll
➢ Recruitment & Selection (including background checks)
➢ Employee Induction Programs
➢ Training & Skill Development
➢ Leadership Development for Top Management
➢ Analyzing organizational structure
➢ Assessing staffing needs
➢ Productivity Improvement Services
➢ Attitudinal and cultural surveys
➢ Employee Engagement Surveys
➢ Benefits Administration
➢ Medical & Health services (including Health Insurance)
➢ Building HR Brand image
➢ HR Audit

Barriers & Disadvantages of 'HR Outsourcing'

Barriers of HR outsourcing

- Questionable cost/benefit justification
- Inadequate readiness of people and systems
- Organizational resistance from within HR and from Trade Union/s
- Inability to manage relationships with outsourcers
- Losing considerable amount of authority to outsourcer
- Lack of complete control over the outsourced activity
- Likelyhood of cost escalation by the time of completion of the project
- Chances of spoiling the company's image especially when outsourcing is associated with downsizing
- Demotivation among the existing employees on the fear of losing their job or loss of control

Disadvantages of HR outsourcing

- Employees with key talents may feel disposable or threatened and may quit their jobs
- Some staff members might become redundant or excess
- Possible communication issues, due to language or time zones between outsourcing partners.
- HR Policies and procedures will be difficult to control
- Data insecurity due to confidentiality and privacy concerns

Artificial Intelligence

- **'Artificial Intelligence (AI)'is** a wide-ranging branch of computer science concerned with building smart machines capable of performing tasks that typically require human intelligence. It is the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings.

Types of Artificial Intelligence

- ➢ **Artificial Narrow Intelligence:** This is also called **'Weak Intelligence'.** This kind of artificial intelligence operates within a limited context and is a simulation of human intelligence. Narrow AI is often focused on performing a single task extremely well but they are operating under far more constraints and limitations than even the most basic human intelligence. **Examples** - Apple's Siri, Amazon's Alexa, Google search, Image recognition software, Self-driving cars.
- ➢ **Artificial Strong Intelligence:** This is also called 'Artificial General Intelligence' or 'Artificial Super Intelligence'(ASI) and it is a machine with general intelligence and, much like a human being and it can apply that intelligence to solve any problem. It would have a self-aware consciousness that has the ability to solve problems, learn, and plan for the future.

'Machine Learning & Deep Learning': Two Sub-Sets of 'Artificial Intelligence'

- Machine Learning is a subset of artificial intelligence focusing on a specific goal: setting computers up to be able to perform tasks without the need for explicit programming
- It feeds a computer data and uses statistical techniques to help it "learn" how to get progressively better at a task, without having been specifically programmed for that task, eliminating the need for millions of lines of written code.

- **'Deep Learning'** is a type of machine learning which is a subset of Artificial Intelligence. It runs inputs through a biologically-inspired neural network architecture. The neural networks contain a number of hidden layers through which the data is processed, allowing the machine to go "deep" in its learning, making connections and weighting input for the best results.

Major differences between 'Machine Learning' and 'Deep Learning'

S.No.	Factor	Machine Learning	Deep Learning
1.	**Human Intervention**	Machine learning is about computers being able to think and act with less human intervention to get results.	Deep learning is more complex to set up but requires minimal intervention thereafter. Deep learning is about computers learning to think using structures modelled on the human brain.
2.	**Hardware**	Machine learning programs tend to be less complex than deep learning algorithms and can often run on conventional computers.	Deep learning systems require far more powerful hardware and resources.
3.	**Time**	Machine learning systems can be set up and operate quickly but may be limited in the power of their results.	Deep learning systems take more time to set up but can generate results instantaneously.

S.No.	Factor	Machine Learning	Deep Learning
4.	**Approach**	Machine learning tends to require structured data and uses traditional algorithms like linear regression.	Deep learning employs neural networks and is built to accommodate large volumes of unstructured data.
5.	**Applications**	Machine learning is already in use in our email inbox, bank, and doctor's office.	Deep learning technology enables more complex and autonomous programs like self-driving cars or robots that perform advanced surgery.
6.	**Others**	• Machine learning requires less computing power • Machine learning can-not analyze images, videos, and unstructured data easily like deep learning does.	• Deep learning typically needs less ongoing human intervention. • Deep learning can analyze images, videos, and unstructured data easily than machine learning.

Digital Assistant

- A digital assistant / virtual assistant is voice-activated software that can understand and carry out electronic tasks for the people. These are built with ML algorithms to understand natural language and the intent of a user's question, and to provide intelligent guidance to complete required steps. **Examples- Siri, Google Assistant, Cortana, Alexa.**

Role of 'Artificial Intelligence' in HR Functions

- **Recruitment and Selection:** Using AI to improve sourcing can greatly enhance an organization's ability to find the right talent at just the right time. From screening applicants to maintaining databases, arranging interviews, and addressing and resolving contestant queries, AI reduces the time and effort required to complete these activities.
- **On-boarding/Orientation of New Recruits:** There are a lot of questions that might be asked by the recruits, and the AI for HR answers all of them so that the employees do not have to do that manually. New workers will get all necessary information, such as job profile data, business regulations, job role assignments, departmental information etc, via a mobile application or structured information on their laptop.
- **Learning and Development:** AI is a very useful technology in training of employees which will aid the organizations to ensure a seamless learning

experience to their workforce. Employees will be able to study and teach themselves about appropriate roles and needs using AI development services. It will also assist them in staying current by providing information on current technologies and software advancements in the industry.

- **Compensation Management:** Organizations require a wider range of data to create a strategy that works for their people and matches differences in expectations, roles, and skill sets. In this context, Artificial Intelligence solutions will help the organizations to have effective compensation management. It helps in efficacy matching a specific offer with individual job and employee histories to calculate the odds of whether a candidate will accept.

- **Talent Management & Employee Retention**: AI can create an environment that meets employee needs and improves retention. Such technology can personalize career development, optimize succession planning, fill skills gaps, and steer compensation strategy, supporting managers, leaders, and managers in developing and deploying talent, which in turn creates strategic advantages for the business.

- **Career Development:** Employees expect to be offered learning and career opportunities that help them grow their career and realize their goals. Artificial Intelligence (AI) can offer best solutions in developing excellent careers to employees.

- **Succession Planning**: AI can help to identify flight risk. Flight risk prediction draws on different attributes and behaviours in order to formulate its conclusions. It will uncover most capable successors. Leveraging data models to analyze employee behavior and determine which employees are ready to step up based on cultural fit, leadership capability, and the accomplishments of past successors.

CAIIB HRM Module E Unit 5- Leading in a 'VUCA' & 'BANI' Scenarios: New Approaches In 'Crisis Management'

Crisis

- A **sudden and unexpected event leading to major unrest amongst** the individuals at the workplace is called as organization crisis. In other words, crisis is defined as any emergency situation which disturbs the employees as well as leads to instability in the organization.

- **A crisis is typically**- High impact, Low probability, Unexpected and Unique. Three elements are common to a crisis: a threat, a surprise and a short decision time.

- Sudden crisis are characterized by their immediate onset. They tend to be unanticipated and escalate very quickly, often as a result of a severe triggering event or incident that may be out of the organization's control. Whereas, Smoldering Crisis are those for which the common feature is that impact on the organization and its stakeholders grows, sometimes undetected, over a period of

time, while indicators of potential crisis are possibly missed, denied, ignored or misunderstood.

Some of the common sources of crisis are:

- ➢ Natural disasters
- ➢ Cyber attack
- ➢ Failure of Technology
- ➢ Organisational mis-deeds
- ➢ Embezzlement or Financial crimes
- ➢ Failure in Supply chain Mechanism
- ➢ Safety scare
- ➢ Staff issues
- ➢ Issues of disclosure.

<h2 align="center">Crisis Management</h2>

- • **'Crisis Management'** is defined as an organization's pre-established activities and guidelines for preparing and responding to significant catastrophic events or incidents in a safe and effective manner. It is a set of strategies and processes for dealing with unexpected negative situations.

Essential Features of 'Crisis Management'

Effective crisis management requires four basic elements. They are:

- ➢ Clearly identified team roles and responsibilities,
- ➢ A formal incident assessment team and process,
- ➢ Effective Incident Action Planning (IAP) skills and Effective crisis management
- ➢ Team communication.

The other critical characteristics of 'Crisis Management' are:

- ➢ Crisis Management includes activities and processes which help the managers as well as employees to analyze and understand events which might lead to crisis and uncertainty in the organization.
- ➢ Crisis Management enables the managers and employees to respond effectively to changes in the organization culture.
- ➢ It consists of effective coordination amongst the departments to overcome emergency situations.
- ➢ HR plays a crucial role in evolving, leading, executing and monitoring all Crisis Management strategies and plans in organizations.
- ➢ Employees at the time of crisis must communicate effectively with each other and try their level best to overcome tough times.

<h2 align="center">Four-levels of 'Uncertainty': Strategies To Manage</h2>

Level 1: A Clear-Enough Future

- • At level 1, managers can develop a single forecast of the future that is precise enough for strategy development. Although it will be inexact to the degree that

all business environments are inherently uncertain, the forecast will be sufficiently narrow to point to a single strategic direction.

Strategy to manage Level 1 Uncertainty

- To help generate level 1's usefully precise prediction of the future, managers can use the standard strategy tool kit—market research, analyses of competitors' cost and capacity, value chain analysis, Porter's five-forces framework, and so on. A discounted-cash-flow model that incorporates those predictions can then be used to determine the value of various alternative strategies.

Level 2: Alternate Futures

- At level 2, the future can be described as one of a few alternate outcomes, or discrete scenarios. Analysis cannot identify which outcome will occur, although it may help establish probabilities. The possible outcomes are discrete and clear. It is difficult to predict which one will occur. And the best strategy depends on which one does occur.

Strategy to manage Level 2 Uncertainty

- Level 2 situations are a bit more complex. First, managers must develop a set of discrete scenarios based on their understanding of how the key residual uncertainties might play out. Getting information that helps establish the relative probabilities of the alternative outcomes should be a high priority.
- After establishing an appropriate valuation model for each possible outcome and determining how probable each is likely to be, a classic decision-analysis framework can be used to evaluate the risks and returns inherent in alternative strategies.

Level 3: Range of futures

- At level 3, a range of potential futures can be identified. That range is defined by a limited number of key variables, but the actual outcome may lie anywhere along a continuum bounded by that range. Companies in emerging industries or entering new geographic markets often face level 3 uncertainty.

Strategy to manage Level 3 Uncertainty

- A set of scenarios needs to be identified that describes alternative future outcomes, and analysis should focus on the trigger events signaling that the market is moving toward one or another scenario.
- Since it is impossible in level 3 to define a complete list of scenarios and related probabilities, it is impossible to calculate the expected value of different strategies. However, establishing the range of scenarios should allow managers to determine how robust their strategy is, identify likely winners and losers, and determine roughly the risk of following status quo strategies.

Level 4: True Ambiguity

- At level 4, multiple dimensions of uncertainty interact to create an environment that is virtually impossible to predict. Unlike in level 3 situations, the range of potential outcomes cannot be identified, let alone scenarios within that range. It might not even be possible to identify, much less predict, all the relevant variables that will define the future.

Strategy to manage Level 4 Uncertainty

- Managers can identify patterns indicating possible ways the market may evolve by studying how analogous markets developed in other level 4 situations. Although it will be impossible to quantify the risks and returns of different strategies, managers should be able to identify what information they would have to believe about the future to justify the investments they are considering. Early market indicators and analogies from similar markets will help sort out whether such beliefs are realistic or not.

VUCA - Gravity- driven Approach To 'Uncertainty' And 'Crisis Management'

- **VUCA refers to - 'Volatile, Uncertain, Complex and Ambiguous.** VUCA represents a set of challenges that individuals, teams, managers, and organizations in affected industries all have to face.

Characteristics & Approach of a 'VUCA' Scenario

Acronym	Characteristics	Examples
V = Volatility	This refers to the speed of change in an industry, market, or the world in general. It is associated with fluctuations in demand or turmoil. The more volatile the world is, the faster the things get changed. The challenge is unexpected or unstable and may be of unknown durations, but it is not necessarily hard to understand.	Commodity pricing is often quite volatile. Illustration is jet fuel costs have been quite volatile in 21st century.
U = Uncertainty	This uncertainty is associated with people's inability to understand. Uncertain environments are those that do not allow for any predictions to be made. The more uncertain the world is, the harder it is to predict the future. Lack of knowledge as to whether an event will have meaningful ramifications. Cause and effect are understood, but it is unknown s to whether an event will create significant changes.	Anti-terrorism initiatives are generally plagued with uncertainty; we understand many causes of terrorism, but not exactly when and how they could spur attacks.
C = Complexity	This refers to the number of factors we need to consider to make more efficient decisions, their veracity and the relationships between them. More the factors, the greater their variety, and the more interconnected they are, the more complex the environment.	Doing the business in many geographies -all with unique regulatory environments, tariffs and cultural values.

Acronym	Characteristics	Examples
A = Ambiguity	This relates to the lack of clarity about how to interpret something. It's not about analyzing a large amount of data; it's about doing advanced analytics for the right KPIs. Casual relationships are completely unclear and no precedents available. A situation is ambiguous, for example, when information is incomplete, contradictory, or too imprecise to draw clear conclusions.	Deciding to shift to an unknown or emerging markets/ business and/or to launch the products in which no core competencies available. The transition from print to digital media has been very ambiguous; companies are still learning how customers will access and experience data and entertainment given new technologies.

Enormity of 'VUCA' Environment

Some of the negative effects of a VUCA environment are:

- It can destabilize people and make them anxious about the future which in turn affects the organizational culture adversely.
- It can undermine the employee motivation and frustrate their career movements thereby devastates individuals and the organizations at large.
- It necessitates constant training on acquiring new skills, knowledge and attitudes.
- Managing VUCA scenario requires good amount of precious time and effort thereby endanger long-term projects and innovations.
- It involves occasional chances of making inappropriate decisions thereby adversely affects the decision making processes and patterns.
- It can destabilize the organization and affects its business as the people may tend to passively leave the organization for greener postures outside.

Leadership Strategies to Manage 'VUCA' Scenario

Counter 'Volatility' with Vision

- Organizations should accept and embrace change as a constant, unpredictable feature of its working environment without resistance.
- Leaders should encourage and motivate the teams with the spirit of achieving it together and inclusively.
- Leaders should ensure that resources are aggressively directed towards building slack and creating the potential in terms of acquiring more talents etc. for future flexibility.
- Leaders should ensure that where volatility is relatively high, the team spirit and inter-personal relationships between individuals should be at the peak levels.

- Leaders and managers should concentrate on evolving and establishing robust communication channels by and between all stakeholders so as to ensure seamless flow of communication and consultations.

Address Uncertainty with Understanding

- Leaders and manager should ensure a robust mentoring programmes which should solely focus new approaches and prospects that are likely to attract new, young and creative talents.
- Leaders should lay more emphasis and priority to new and contemporary learning endeavours which can harness the skills and new insights of the people.
- Leadership should also focus on planning new business ways and strategies to help minimize possible uncertainties.
- Leadership should ensure periodical environmental screening in order to eliminate uncertainty.
- Information is critical to reducing uncertainty. As such, leaders should steer their organisations to move beyond existing information sources to both gather new data and consider it from new perspectives.

Respond to 'Complexity' with Clarity

- Leaders and managers should ensure simplification of each work processes as a most important step to address the complexity issues.
- Leaders need to be aware of social networks within the organization that are often stronger than the hierarchical order. As such, the organisations should evolve and institutionalise a transparent and effective social network policy with required checks and balances.
- Effective communication channels, well-designed decision making policies, empowerment schemes, efficient organisational structures which fosters faster communications across the organisations etc are essential prerequisites to counter the interlocked complexities.
- Leaders need to have the flexibility and tolerance to think in contrast and 'out-of-box' and to encourage such inverse thinking abilities among the people
- Restructuring internal company operations to match the external complexity is the most effective and efficient way to address complexity.

Overcome 'Ambiguity' with Agility

- Leadership should promote flexibility, transparency, adaptability and agility in all their activities.
- Leaders should hire, develop and promote key talents who have blend of interest and are able to thrive in VUCA environments and have critical and innovative thinking skills.
- Leaders should encourage the people to be versatile in all areas of working by providing them the right and timely opportunities to work in all other areas of business through periodical but meaningful job rotation and cross training.

- Leaders and managers should encourage the every member to widely debate, dissent and generate new and innovative ideas
- Experimentation is necessary for reducing ambiguity.
- Leaders should suitably reward team members who demonstrate vision, understanding, clarity, and agility.

'BANI' Approach In Crisis Management

- **'BANI'** has been coined by **Jamais Cascio** to explain and deal with the new normal created by challenges like Global Warming, COVID-19 pandemic and also such unforeseen crises in future. BANI stands for **Brittle Anxious Linear Incomprehensible.**

BANI = Brittle:

- In a scenario of brittle or frail, we cannot predict or predetermine beyond a particular point. The idea is that we are susceptible to catastrophe at any time, and all businesses that are built on fragile foundations can fall apart overnight. In a BANI world, a brittle system may work well on the surface while being on the verge of breaking down for good.
- In a world in which everything is interconnected, a disastrous failure occurring in one country may cause a ripple effect all over the planet which made the normal life more difficult and severely affected the global businesses and trade. Our critical systems are essentially interwoven, and they do not have automatic solutions to address such disaster situations.

A = Anxious:

- Anxiety caused by continuous changes in our personal and professional life as well. This anxiety can lead to passivity when you feel that changes are an avalanche and that there is no way to influence them.
- In an anxious world, people - Watch for the next disaster to happen, Tend to become passive to avoid potentially wrong decisions altogether, feel desperate about missed opportunities and face the terrible gut feeling of depending on someone who may very well make decisions with negative consequences for them. We deal with what we call 'fake news' on a daily basis. Incorrect depictions enhance the pent-up emotions listed above, and they add to the ubiquitous anxiety in all spheres of life.

N = Non-Linear:

- In turbulence, we live in a world whose events seem disconnected and disproportionate. Without a well-defined and standardized structure, it is not possible to make structured organizations. The disconnection and disproportion between cause and effect leads to non-linear situation.
- There is a great difference between the scale at which things occur and the scale at which we perceive them. Therefore, detailed, long-term planning may no longer make sense as cause and effect is no longer assessable in advance.

- For instance, the current pandemic has introduced an unprecedented crisis in terms of scale, scope, infection, and mortality rates – and this fight will go on for another couple of months, probably years. The same patterns of non-linearity apply to the climate crisis.
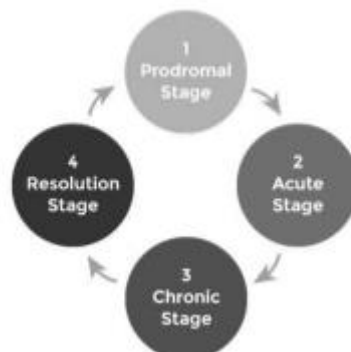
I = Incomprehensible

- Non-linear results of any given cause, events, and decisions often seem to lack any kind of logic or purpose – they are incomprehensible. We cannot grasp the cause because it may have been long gone or it may appear too appalling.
- Misunderstanding is generated when we find answers, but the answers don't make sense. So we need to understand that we don't have control over everything. It is important to note that we may not predict or understand numerous aspects as of now. However, future technologies and synergy effects (human brain + technology) will most likely render many things comprehensible.

Strategies to Deal with 'BANI' Scenario

- As the BANI creates a feeling of fragility, the best way to adapt and grow is by strengthening the teams with enough resources – in terms of human, finance and skills etc.
- Brittleness can be addressed with resilience, flexibility and alternative plans and systems.
- Anxiety can be addressed with awareness, empathy and mindfulness. Dealing with anxiety requires more empathy. Hence, training employees in soft skills, which will become increasingly essential in times to come
- In a non-linear world, rigid plans tend to be a burden on business and hence, constant innovation and creativity in product and services and ways of doing business are very crucial.
- Incomprehensibility can be addressed with transparency and intuition.

Fink's Model of 'Crisis Management'

Fink's Crisis Model

- In his famous book Crisis Management: Planning for the Inevitable (1987), Steven Fink, who is one of the leading experts in crisis management and crisis

communications, and a true pioneer in the field, laid out a four-stage crisis model consisting of the **prodromal, acute, chronic, and resolution stages.**

- **Prodromal stage:** here, the role of a crisis management professional is not reactive, but a proactive approach. In this stage, crisis managers attempt to identify an impending crisis. This stage covers the period between first signs and crisis eruption. Crisis managers should be proactively monitoring, seeking to identify signs of a brewing crisis, and trying to prevent it or limit its scope without getting the crisis enlarged. Actions taken during the prodromal stage can easily be placed into the pre-crisis stage of the three-stage model as they address an organization's crisis prevention.

- **Acute stage:** Fink advocates that the actual crisis event begins with a trigger, during what he refers to as 'the acute stage' which is the second stage of this Model. This phase entails activation of crisis managers and their plans. This stage is characterized by the crisis event and resulting damage. The severity of the crisis and damage are influenced by the success of the prodromal stage.

- **Chronic stage:** The third stage of Fink's model is the 'chronic stage'. This stage refers to the lasting effects of the crisis such as - after a flood or a hurricane when teams address damage to buildings and roads. Although individual crises may have occur anytime, but the lasting effects of the incident can extend the lifecycle of the crisis.

- **Resolution stage:** This stage identifies a clear end to the crisis and it is a time for introspection as to what went wrong through a root-cause analysis and implementing changes to ensure there is no repetition.
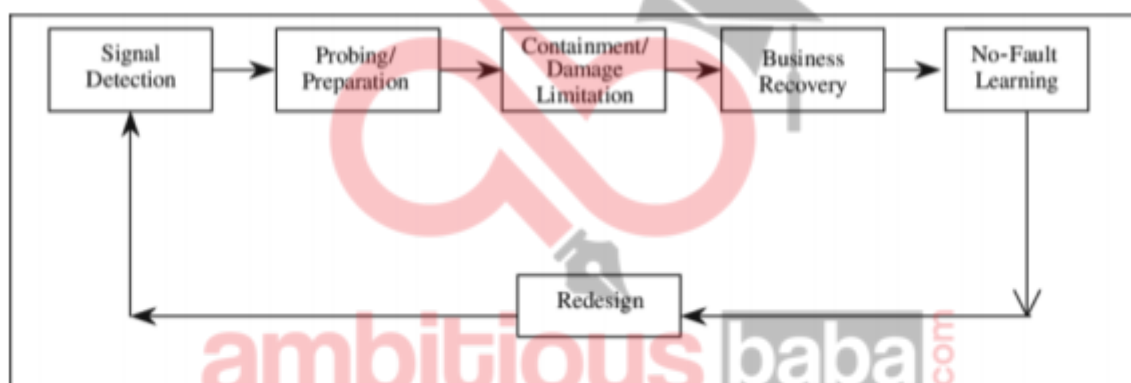
Burnett's Model of 'Crisis Management'

- Burnett identifies both tasks and factors that compromise the ability of an organization to practice crisis management. The author cited four factors that inhibit crisis management viz., **time pressure, control issues, threat level concerns, and response option constraints**. Burnett claims these factors, found on the outer-ring of the model, disrupt an organization's ability to focus on and strategically manage a crisis situation.

- Burnett divides the model's six step inner-circle into three categories: **identification, confrontation, and reconfiguration**. **The 'identification' step is composed of goal formation and environmental analysis** – the preparation for the crisis. '**Confrontation' encompasses strategy formulation and strategy evaluation** – the point when an organization is involved in the crisis. Lastly, **'reconfiguration' includes strategy implementation and strategic control** – how the organization adapts to crisis intervention.

- This model also follows a progression like the other lifecycle models. The steps in Burnett's model are - **goal formation, environmental analysis, strategy formulation, strategy evaluation, strategy implementation, and strategic control.**

Burnett Model of Crisis Management

Mitroff's Five-Stage Model of 'Crisis Management'

- Mitroff was one of the first researchers to recognize that, due to resource limits, preparing for every conceivable kind of crisis is impossible. He noted that crises tend to fall into certain categories, which Mitroff called clusters, such as breaks or defects in equipment, external actions, and threats (product recalls).
- Mitroff developed a model that divides crisis management into five stages: **signal detection, probing (ie., looking for risk factors) and prevention, damage containment, recovery, and learning.**
- **The first two stages – 'signal detection' and 'probing and prevention'** – encompass the proactive steps an organization can take before a crisis event. 'Signal detection' identifies the signs of possible crises within an organization.
- **The last three stages of Mitroff's (1994) model – 'damage containment', 'recovery', and 'learning'** – feature slight variations from Fink's (1986) acute, chronic, and resolution stages. Like Fink, Mitroff's stages discuss the trigger and containment of the crisis event, the arduous task of returning to the pre-crisis norm, and the resolution of the crisis event.

- **'Damage containment'**, focuses on the steps taken following the crisis event. A relationship can be made between damage containment and the crisis stage of the three-stage model as they both involve actions taken in response to the event.

Role of HR in 'Crisis Management' Process

- HR has moved beyond the common roles viz., Hiring, Welfare, Industrial Relations etc. to more complex roles that directly influence the performance of the organization. Crisis management is among the areas of management in which the HR is expected to participate in, with a view of ensuring that employees needs, during and after a crisis, are given consideration during the development of crisis management plans.
- The HR has an impacting role in crisis management through planning and training to ensure employees are capable of navigating through turbulent times. The role of HR in crisis management is to enhance preparedness among personnel and thus ensure effective disaster planning. At another level, as a custodian of employee-wellness, the HR has an important role to play in ensuring that human capital within the organization is protected and that employees can continue to provide value for the organization beyond the crisis.

Crisis Management Planning

- This is the stage through which an organization makes plans on how to deal with crises, including crisis prevention, impact reduction, and crisis recovery. Crisis management planning enhances organisation's ability to deal with crises and ensures faster recovery when an organization is faced by a crisis.
- Crisis management planning is an imperative process in crisis management because it provides guidelines on preventing or averting crises, dealing with crises and the recovery process.

Crisis Communication & Employee Relations

- The HR has key responsibility to ensure that employees are aware of vulnerabilities and potential threats. This involves identifying and communicating all possible threats within and outside the organization to the employees.
- Effective communication ensures that employees are physically, emotionally, and intellectually prepared, such that it becomes easier to handle the crisis.

Crisis Management Process & Policy

- HR is typically responsible for conceiving, evolving and implementing and periodically updating policies and procedures governing employee conduct and organizational procedures pre, during and post crisis period. This would include acting as the repository for the crisis management plans and procedures.

Training and Talent Development

- Training and talent development provide employees with knowledge and skills necessary to enhance the recovery process. Crisis management training for management and key personnel is a critical component of effective crisis management.

Promoting Employee Involvement and Motivation

- HR has the responsible role to garner and promote greater employee involvement in the entire process of crisis management so that the crisis management plans and procedures

Influencing organizational culture

- The HR can influence culture within the organization, with aspects such as – robust and transparent communication and information channels, employee empowerment, transparent decision making and responsibility patterns, effective leadership capabilities and flexibility in approaches etc being emphasized as effective tools to overcome the crisis timely.

Employee Assistance and Benefits Programmes

- HR departments of the organizations organize employee assistance programs to support them psychologically and to enhance motivation. When required, outplacement procedures like rotational transfers and skill-based placements etc, may also be implemented.
- Coaching and mentoring programs may be some other options to be promoted in order to recover and maintain employee morale and motivation properly. This is not only necessary for the business and employees but also for the families of those workers.

Leadership Role in 'Crisis Management'

- Leaders should lead from the front and willing to take high risks, complete charge of the situation and responsibility.
- Leaders should counsel the employees not to get panic at the time of crisis. Leaders should interact with the employees.
- Leader should be able to feel the early signs of crisis and warn the employees against the negative consequences of the same.
- Leaders must strive best to prevent crisis. They should encourage effective communication at the workplace.
- Leaders should identify the important processes and systems which should keep functioning for the smooth running of the organization. They should develop alternate plans with accurate information.
- Once the organization is out of crisis, it is the leader's duty to communicate and discuss the key take-aways and the lessons learnt so as to enable the employees to avoid committing same mistakes again.

Employees' Role in 'Crisis Management'

- They should be proactive to review their performance periodically on their own and to strive hard to achieve the targets set by the organization.
- Employees must be able to sense the early signs of crisis and warn their fellow workers against the same and communicate to seniors.
- Employees should encourage and ensure effective communication during crisis situations. They should try to generate innovative ideas.
- They should not spread and/or encourage baseless rumours, grapevine or unfounded information about their organization
- It is essential for the employees to respect and be loyal to their organization. They should not enter into unnecessarily fight or find fault in their co-workers.
- Employees should maintain their cool and calm and should avoid to get hyper as, stress and anxiety lead to more mistakes one might not otherwise commit.

CAIIB HRM Module E Unit 6- Business Ethics, Corporate Governance & Corporate Social Responsibility

Business Ethics

- **'Ethics'** are set of principles or standards of human conduct that govern the behaviour of individuals or organizations. It deals with morals and obligations and what is right and wrong.
- **"Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."** Business ethics are those principles, policies or philosophies that are concerned with moral judgment & good conduct as they are applicable to business situation.
- These are rules that business must accept and follow in its day to day operations for the welfare of society and all its stakeholders. These ethics helps the business in deciding what is right and what is wrong for the business taking into account its circumstances.

Characteristics of Business Ethics

- **Defines Code of Conduct:** Business ethics is the code of conduct which businessmen should follow while conducting their normal business activities. Ethics defines social, cultural, economic, legal and other limits of business and they should operate within these limits.
- **Protects Social Group:** Business follow and practices ethics therefore gives protection to all social groups. Therefore, business ethics provide protection to different social groups associated with business.
- **Instills Healthy Competition:** Every business should adopt fair market practices for healthy competition in the market. They should maintain healthy co-ordination and co-operation with their business partners and other business organisation existing in the market.
- **Reduces Risk And Cost:** Ethics in business helps in improving the productivity and overall efficiency of the organisation. These ethics bring self-discipline within the organisation and aims at reducing the risk and expenses.

- **Monitor Business Malpractices:** Business ethics monitors and keeps a check on any malpractices in business. It avoids adoption of unfair trade activities like adulteration, black marketing, frauds and cheating in product, improper weights and measures etc. Controlling of all these malpractices by ethics helps in maintaining the legality of business.
- **Based on Moral and Social Values:** Business ethics is based on well-accepted moral/principal values. They include self-control, service to society and fair treatment to social groups and not to harm/exploit others.
- **Needs Willing Acceptance for Enforcement:** Ethics are voluntary in nature and are not enforceable by any law or statute or by force. These ethics must be adopted like self-discipline by businessmen at their own will and choice.
- **Ensures Healthy Employer-Employee Relations**. All employees should be provided better and timely wages and salaries, proper working conditions and various other amenities.
- **Long Term Growth:** Ethics in business focuses on the survival of business organisations for long term. Business cannot exist for long term if any of its operations leads to exploitation of its stakeholders.
- **Not against profit making:** Business Ethics is not against fair profit making. However, it is against profiteering by cheating and exploiting consumers, employees or investors.
- **Creates Good Image:** Business ethics has an important role in improving the goodwill of the business. Providing quality products at fair prices helps in serving and satisfying customers in a better way.
- **Needs Education and Guidance for its Implementation:** Businessman should be given proper education, guidance and training in order to motivate them to follow ethical business practices.

Difference between The Concepts of – 'Ethics', 'Morals' and 'Values'

Ethics vs Morals

S. No	Ethics	Morals
1.	Ethics is a Moral Philosophy as such, it is the combination of morals and reasoning. Hence it has a wider connotation.	Morals are mostly guided by Culture and has limited scope than the Ethics.
2.	Ethics lays faith in the free will of the individual, and gives enough room for the individual to deliberate upon different means to an end, while also providing a moral justification for the same.	Morality can limit the scope of human deliberation, in determining the goals and means towards the human ends.
3.	To be ethical, one should figure out what is right – by applying some principles and considering all the complexities involved.	To be moral, is all about adhering to what is described by society or religion.
4.	A person whose morality is reflected in his willingness to do the right thing – even if it is hard or dangerous – is ethical.	Whereas, a person who knows the difference between right and wrong and chooses right is moral.

5.	Ethics are moral values in action. Being ethical is an imperative because morality protects life.	Morals form part of the cultures which are to be ethical.
6.	To follow the ethical culture is a relatively harder path.	To practice morals is less difficult than imbibing ethical culture.
7.	Ethics are philosophical deliberations that come up with the moral justifications and principles that guide our moral values.	Morals is a set of beliefs and practices concerned with what is understood as good and evil.

Ethics vs Values

S. No	Ethics	Values
1.	Ethics is a generalized value system like avoiding discrimination in recruitment and adopting fair business practices.	Values are personal in nature like a brief in providing customer satisfaction and being a good paymaster.
2.	Business ethics can provide the general guidelines within which management can operate.	Values, however, offer alternatives to choose them. To illustrate, philanthropy as a business policy is optional.
3.	Ethics determine what is right or wrong.	Values judge as to what is desirable or undesirable.
4.	Ethics is all about reasoning as to how to do the right action.	Values are mostly guided by the belief system of the individual or organization.
5.	Ethics constrain and hold back the individuals.	Values motivate the individual to judge between good and bad.

Areas of Business Ethics

- **Personal Responsibility:** Each person who works for a business, whether on the executive level or the entry-level, will be expected to act with personal responsibility- honesty, diligence, punctuality, and willingness to perform excepted duties.
- **Corporate Responsibility:** Organisations have certain moral and ethical responsibilities and obligations towards all their stakeholders - for example, to conduct business fairly and to treat people with dignity and respect.
- **Social And Environmental Responsibility:** Organisations are the part of the society at large and as such they have a constructive role towards community, society and environmental safety. They will also adopt measures to reduce waste and promote a safe and healthy environment. Therefore, Corporate Social Responsibilities (CSR) is a common practice where businesses work towards environmental protection, social causes, and spreading awareness.
- **Technology Ethics:** With information technological explosion makes the organizations to widely using social media channels they need to evolve a fair and transparent social media policy and also to ensure strict enforcement of such policy. Technology ethics also include customer-privacy, personal information, and intellectual property fair practices.
- **Inter-personal and Organisational Loyalty:** Employees should be loyal to their co-workers, managers, and the company. These include mutual loyalties of a subordinate and superior and if the superior is just, fair and honest, the subordinates shall emulate them and make the organization as an ethical entity

- **Mutual Respect:** Respect is an important business ethic, both in the way the business treats its clients, customers and employees, and also in the way its employees treat one another.
- **Transparency & Trustworthiness:** Business organizations should nurture trustworthiness with its clients, customers and employees through honesty, transparency and reliability. Businesses should maintain transparency in business practices and financial reports.

Theories of Business Ethics

John Stuart Mill's Utilitarian Theory

- John Stuart Mill defines utilitarianism as a theory based on the principle that **"actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness."**
- Mill defines happiness as pleasure and the absence of pain. Utilitarianism theory argues that the right action for a particular occasion is the one that produces more utility than any other possible action. But it does not mean that the right action is the one that produces the most utility for the person who performs the action. On the contrary, John Mill advocated that an action is right if it produces the most utility for all the persons affected by the action.
- John Stuart Mill's utilitarian theory focuses on the quality of actions as propagated by the 'Deontological Theory' ie., duty-based and non-consequentialist.
- The thought process of **Deontological theory** is that ethical decisions are made based on the consequences of the action, which is why it is also sometimes called **consequentialism**. Due to the fact that this theory propagates greatest good and welfare of the people, this theory can also be called as **'Ethics of Welfare'.**

Merits:

- While assessing the usefulness of utilitarianism in the organizational context it should be understood that it provide standards for a policy action viz., if it promotes the welfare of all, more than any other alternative, then it is good.
- The theory provides an objective means of resolving conflicts of self interest with the action for common good.
- The theory provides a flexible, result-oriented approach to ethical or moral decision making.

De-merits:

- Measurement of utility is a difficult task as presently there are no means to measure it as, utility is a psychological concept and is highly subjective. It differs from person to person and time to time.
- Intractability to measurement that arises while dealing with certain benefits and costs is not possible. To illustrate, measurement of value of life or health is impossible.

➢ Lack of predictability of benefits and costs. If they cannot be predicted, then they cannot be measured properly.

➢ Lack of clarity in defining what constitutes 'benefit' and what constitute 'cost'. This lack of clarity creates problems especially with respect to social issues that are given different interpretations by different social or cultural groups.

Immanuel Kant's Deontological Theory

- The basic principle of this theory is that human beings should be treated with dignity and respect because they too have rights. In deontological ethics – people have a duty to respect other people's rights and treat them accordingly. When faced with an ethical situation, then, the process is simply one of identifying one's duty and making the appropriate decision.

- When we act only out of feeling, inclination or self-interest, our actions –although they may be otherwise identical with ones that spring from the sense of duty – have no true moral worth. Hence, this theory is also called as **'Ethics of Duty'.** He advocates that an action has moral worth only when it is done from a sense of duty.

- The core idea is that an action is right if and only when we will do it to become a universal law of conduct. This means that we must never perform an action unless we can consistently do that and it can be followed by everyone.

Merits

➢ Kantian theory of ethics has adequate relevance to a business organization and benefits in its decision making. This theory provides us firm rules to follow in moral decision making for certain issues, because the result of such actions does not depend on the circumstances or the performer.

➢ Kant gives more importance to the individuals. In other words, when developing a code of conduct, an individual should not use others to serve the own purpose or advantage.

Limitations

➢ There are no solutions provided in the theory on how to resolve conflicts that arise when there is no agreement about the principles involved in the decision

➢ It is not correct to assume that the implications of making a "right" choice will always have good consequences but at times it may yield bad consequences as well

➢ The theory is not clear as to what decisions should be made when duties conflict.

Aristotle's Virtue Theory

- Aristotle's virtue theory says that what matters in ethical behaviour is the integrity of an individual's character. This theory is based on the premise that different goals can only be achieved only if people possess self-love. It is argued that self-love is a precondition for reaching one's full human potential of having a sense of well-being and joy.

- This character based approach to morality assumes that we acquire virtue through practice. By practicing being honest, brave, just, generous, and so on, a person develops an honorable and moral character. He advocated that in order for one to be virtuous they must display **prudence, temperance, courage, and justice**; moreover, they have to display all four of them and not just one or two to be virtuous.
- The virtue theory also faces the same challenges as Kant's Deontological Ethics Theory when having conflicting virtues. If there is a virtue of loyalty to a client and honesty to the public, what happens when they conflict? To which one should a professional defer? These are some of the challenges even this theory faces.

Corporate Governance

- **'Corporate Governance'** refers to the way a corporation is governed. It is the technique by which companies are directed and managed. It means carrying the business as per the stakeholders' desires. It is actually conducted by the Board of Directors and the concerned committees for the company's stakeholder's benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.
- **Corporate Governance** is essential to develop added value to the stakeholders. Corporate Governance **ensures transparency** which ensures **strong and balanced economic development**. This also ensures that the interests of all shareholders (irrespective of their stakes) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights. Corporate Governance encourages a **trustworthy, moral, as well as ethical environment.**

Strategies to Nurture 'Good' Corporate Governance

Organizations achieve 'good' Corporate Governance by ensuring the Board of Directors:

Follow the 4 Ps of Corporate Governance:

- ➤ **People** – People determine the purpose to work towards, develop the process to achieve it, and evaluate the performance outcomes.
- ➤ **Purpose** – Every piece of governance exists for a purpose, bringing the company closer to achieving its mission statement.
- ➤ **Process** – People achieve the company's purpose through its processes.
- ➤ **Performance** – performance is – we are going in the right direction or not, is there any gap between desired objectives and achieved objectives.

- **Adhere to the Basic Principles of 'Corporate Governance':** Accountability of Leadership, Participation by all who matters in Governance, Consensus-oriented, Transparency of Governance Policies, Responsive to all stakeholders etc.

- **Implement the Company's governance strategically and fairly.**

- **Balance the interests of the company's stakeholders**, which can include shareholders, senior management executives, the board of directors, customers, suppliers, and the community.

Best Practices For Improving Corporate Governance

- Recognizing that good governance is not just about compliance of laid down rules, regulations and code of conduct etc. but also to improve the performance of the organization through formatting strong strategies and business and operational policies.
- Building a robust Board of Directors. Board should encompass Directors with right qualification, expertise, competence, knowledge relevant to the field of business and have strong ethics and integrity with diverse backgrounds and skill sets.
- Organization should evolve and put in place transparent, fair, clear and unambiguous patterns of role, responsibility and accountability or - the Board, Chairperson, CEO, Executive Officers and management personnel.
- Providing qualitative and factual information is the cornerstone for taking better decisions. Regular board agendas contain all the information/details that the Chairperson and the Director need to take appropriate decisions.
- Emphasizing on maintaining integrity and ethical dealings. To create and cultivate this culture, the organizations should evolve and adopt a conflict of interest policy, a whistleblower policy, a code of business conduct setting out the company's requirements and process to report and deal with and also to designate someone responsible for oversight and management of these policies and procedures.
- Recognizing that the governance of risk is the responsibility of the Board of Directors. Establishing a sound system of risk oversight and management and internal control is another fundamental role of the board. Effective risk management supports better decision making because it develops a deeper insight into the risk-reward trade-offs that all organizations encounter.

Ethical Issues in 'Corporate Governance'

- The quality of corporate governance is determined by the manner in which the top management especially the Board of Directors, allocates the financial resources of the company between themselves and employees, customers, government etc. Since these as the matters of money and finance, the basic requirements invariably expected are – **Trust, Honesty, Integrity, Ethical values, Transparency and Strict compliance of laid down laws, rules, regulations etc.**
- It is quite unfortunate that business environment especially in India is replete with unethical practices like bribery, corruption, insider trading etc. Government of India and the Indian Corporate sector to lay more emphasis on imbibing ethics and values in their business polices and operations. The ethical climate in any business organization largely depends on three factors viz.,
  - ➢ **The individual's sense of value**

> ➢ **The social values accepted by the business and industry.**
> ➢ **The System.** While the first two factors are relatively easy to achieve, the third one i.e., 'the system' is the most decisive factor where the corporate faces main challenge.

'Corporate Social Responsibility' (CSR)

- **World Business Council for Sustainable Development** defines **'Corporate Social Responsibility'** as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.
- Corporate Social Responsibility (CSR) is a means through which a company incorporates **environmental, social and human development concerns** into its planning and actions to ensure that its operations are ethical and beneficial for society.

Advantages of 'Corporate Social Responsibility' (CSR)

> ➢ It improves financial performance of the concerned entity.
> ➢ It enhances brand image and reputation of the company
> ➢ It increases sales volumes and customer loyalty
> ➢ It enhances the ability of the company to attract and retain key talents.
> ➢ It enables reduced regulatory oversight.
> ➢ It instill a sense of creativity, innovation and learning new horizons of knowledge.
> ➢ It makes the Risk Management endeavours more robust
> ➢ It eases out the company's effort to access capital.
> ➢ It reduces the operating expenses considerably

'Carroll's CSR Pyramid' & Four Model Framework

- Carroll's CSR pyramid is a framework that explains how and why organizations should take social responsibility. The pyramid was developed by Carroll and highlights the four most important types of responsibility of organizations. These are:
> ➢ **Economic responsibility**
> ➢ **Legal responsibility**
> ➢ **Ethical responsibility**
> ➢ **Philanthropic responsibility.**

Mandated Provisions Under Indian Laws for 'Corporate Social Responsibility' (CSR)

- CSR in India has traditionally been seen as a philanthropic activity. However, with the introduction of **Section 135 in the Companies Act 2013**, India emerged as the first country to mandate and quantify the expenditure under the head **'Corporate Social Responsibility (CSR)'** activities.
- Schedule VII of the said Act places the community at the heart of all the activities. The Act advocates integrating CSR Activities into the core operations of a company.
- The Act requires **companies with a net worth of ₹500 crore or more, or turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more during the immediately preceding financial year, to spend 2 per cent of the average net profits of the immediately preceding three years on CSR activities**. It does also enumerate the activities that can be undertaken and the manner in which the companies can undertake CSR projects / programmes.

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