

Principles of Management

Block

IV

STAFFING

UNIT 12

Human Resource Management and Staffing	1-17
-----------------------------------------------	-------------

UNIT 13

Performance Appraisal and Career Strategy	18-33
--------------------------------------------------	--------------

UNIT 14

Organizational Change and Organization Development	34-53
-----------------------------------------------------------	--------------

Expert Committee

Dr. J. Mahender Reddy
Vice Chancellor
IFHE (Deemed to be University)
Hyderabad

Prof. Y. K. Bhushan
Vice Chancellor
IU, Meghalaya

Prof. Loveraj Takru
Director, IBS Dehradun
IU, Dehradun

Prof. S S George
Director, ICMR
IFHE (Deemed to be University)
Hyderabad

Dr. O. P. Gupta
Vice Chancellor
IU, Nagaland

Prof. D. S. Rao
Director, IBS, Hyderabad
IFHE (Deemed to be University)
Hyderabad

Course Preparation Team

Prof. Ramalingam Meenakshisundaram
IFHE (Deemed to be University)
Hyderabad

Ms. Pushpanjali Mikkilineni
IFHE (Deemed to be University)
Hyderabad

Ms. Smita Singh
IU, Sikkim

Ms. Ch Syamala Devi
IU, Meghalaya

Ms. Hadiya Faheem
IFHE (Deemed to be University)
Hyderabad

Mr. Mrinmoy Bhattacharjee
IU, Mizoram
Aizawl

Prof. Tarak Nath Shah
IU, Dehradun

Mr. Manoj Kumar De
IU, Tripura
Agartala

© *The ICFAI University Press, All rights reserved.*

No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means – electronic, mechanical, photocopying or otherwise – without prior permission in writing from The ICFAI University Press, Hyderabad.

Ref. No. PO Mgmt SLM – 09 2K11R 08 B4

For any clarification regarding this book, the students may please write to The ICFAI University Press specifying the unit and page number.

While every possible care has been taken in type-setting and printing this book, The ICFAI University Press welcomes suggestions from students for improvement in future editions.

The ICFAI University Press, Hyderabad

Block IV

Staffing

The fourth block to the course on Introduction to Management deals with the managerial function of staffing. The block contains three units. The first unit explains the basic activities of human resource management process and staffing. The second unit focuses on performance appraisal and formulation of a career strategy. The third unit gives an overview of organizational change and organization development.

The first unit, *Human Resource Management and Staffing*, gives an overview of human resources in an organization. The human resource management process involves the basic activities of human resource planning, staffing, training and development, performance appraisal, and compensation. The unit also explains staffing activities of recruitment and selection and ends with a discussion on the socialization process.

The second unit, *Performance Appraisal and Career Strategy*, discusses the significance of appraisal in organizations. Continuous assessment of employee performance helps organizations to determine whether the performance of employees is aligned with the goals of the organization. Several performance rating methods are used to assess employee contribution to the organization. The unit explains criteria for appraising managers and steps in formulating a career strategy.

The third unit, *Organizational Change and Organization Development*, gives an idea of organizational change and sources of resistance to change. The greatest challenge for an organization adapting to these changes is managing employee resistance. Therefore, the unit focuses on ways in which managers can overcome the initial employee resistance to change. The unit also gives an idea on organization development that is aimed at enhancing organizational effectiveness. The unit also explains the concept of organizational conflict.

Unit 12

Human Resource Management and Staffing

Structure

1. Introduction
2. Objectives
3. Human Resource Management: An Overview
4. Recruitment
5. Selection
6. Socialization Process of New Employees
7. Summary
8. Glossary
9. Self Assessment Test
10. Suggested Readings/Reference Material
11. Model Answers

1. Introduction

In the previous unit, the managerial function of organizing was discussed. In this unit, the human resource management (HRM) function will be discussed. HRM is the management of various activities that are designed to enhance the effectiveness of the manpower in an organization in the achievement of organizational goals.

Human resource management forms a crucial function in organizations. HRM departments develop staffing plans, handle complaints, determine benefits and compensation, and conduct performance appraisal programs. These activities are very important in managing an organization.

In this unit, the basic functions of HR process like human resource planning, staffing, training and development, performance appraisal, and compensation is discussed. The unit also explains two important elements of staffing – recruitment and selection and concludes with a discussion of the socialization process of new employees.

2. Objectives

By the end of this unit, students should be able to:

- Classify the functions of human resource management
- Discuss the function of recruitment
- List the steps in the selection process
- Define the socialization process

Staffing

3. Human Resource Management: An Overview

Human resource management (HRM) can be defined as the organized function of planning for human resource needs, and the recruitment, selection, development, compensation, and evaluation of performance to fill those needs. The HRM process is an ongoing function of ensuring the supply of the right people for the right positions at the right time. There are five basic steps in the HRM process. These are:

Human Resource Planning

Human resource planning is a process of determining future human resource needs relative to an organization's strategic plan and devising the steps necessary to meet those needs. It involves estimating the size and composition of the future work force, and helping the organization acquire the right number and the right kind of people when they are needed. HR planning is designed to ensure that the personnel needs of the organization will be constantly and appropriately met. As outlined in Figure 12.1, HR planning can be logically divided into three parts: (1) Forecasting manpower demand, (2) Forecasting manpower supply, and (3) Human resource actions.

Forecasting manpower demand: This involves determining the number of people required by the organization in the future and the abilities they need to have that enable the organization to remain in operation.

Forecasting manpower supply: Employees leave the organization for a wide variety of reasons. Therefore, organizations need to explore both the internal as well as external sources of manpower supply for replacement needs.

Internal labor supply

A prime source of manpower supply in an organization is its pool of current employees who can either be transferred within the organization or promoted, to help the organization meet its demand for human resources. There are three means of assessing the internal labor supply. These are (i) skills inventory, (ii) replacement planning, and (iii) succession planning.

Skills Inventory: A skills inventory is a computerized database, which contains basic information pertaining to each employee. This information can be used to assess the likely availability of individuals for meeting current and future human resource needs.

Replacement Planning: The process through which an organization identifies potential candidates to fill specific managerial positions is called replacement planning.

Manager Inventory Chart: To make the process of identifying the potential candidates easy, an organization has a manager inventory chart (or a replacement chart) that shows the major managerial positions, current incumbents, potential replacements for each position, and the age of each person on the chart.

Human Resource Management and Staffing

The advantages of a manager inventory chart are:

- The chart provides a clear idea about the present and future staffing situation of an organization and gives a clear indication of the future internal supply of managers by indicating who is promotable within a year.
- When managers who have the potential for future promotion are identified, they can be easily given a suitable position in the organization.
- The manager inventory chart helps to identify the employees who are not performing upto expectations and can help in training or replacing them, whichever is necessary.

The disadvantages of the manager inventory chart are:

- The chart does not show the position to which the manager may be promoted. If a vacancy occurs in another unit of the organization, the person with the potential to be promoted may not necessarily fit the position, since it may require him to have knowledge or skills in specialized areas.
- A fair assessment of the capabilities of an individual can be made based on his skills, performance, and other information. However, the data shown on the chart is not sufficient to make a fair assessment of an individual.
- Top-level managers may be reluctant to make their charts available to other top level managers due to the fear of losing competent subordinates to other organizational units.

Succession planning: The third method of internal labor supply, is a means of identifying individuals with high potential. In contrast to replacement planning, which focuses on identifying specific candidates who could fill designated managerial positions, succession planning ensures that individuals receive appropriate training and job assignments, and thus assists in their long- term growth and development.

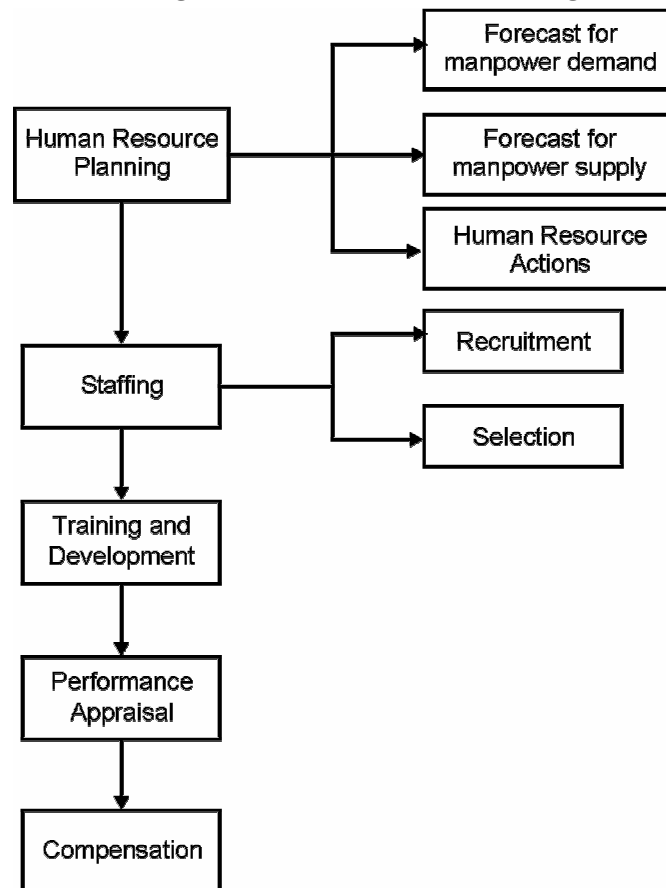
External labor supply

Organizational expansion and/or employee attrition makes it necessary for the organization to sometimes turn to the external labor supply. The external labor supply is affected by factors such as the demographic changes in the population, national and regional economics, education level of the workforce, demand for specific employee skills, population mobility, and Governmental policies. The employees are recruited based on the required skills and knowledge fit for a particular job.

The degree of success of obtaining competent people is determined by proper utilization of the sources of recruitment. Sources of external supply include advertisements, educational institutions, employment agencies, voluntary applicants, referrals by employees existing in the organization.

Staffing

Figure 12.1: Human Resource Management Process



Human resource actions: Managers should match the projected human resource needs with projected availability of human resources. This will provide the basis for taking the required action to ensure that supply will equal demand at any specified time. Human resource activities like selection, promotion, and placement come into focus when there is high demand for and supply of manpower in the organization. Consequently, efforts are made to match the available manpower with organization's needs. When the supply of human resources is low and the demand is high, a different emphasis is required. The company can go in for internal promotions, and should place special emphasis on training and development to enlarge and improve the internal pool of manpower.

For a firm with a high supply of human resources and a low demand, there are several alternatives available to strike a balance between demand and supply. The firm can prepare plans for growth and expansion, as this would increase the demand for human resources, thereby using the manpower available. Other alternatives are to resort to replacement or outplacement services, layoffs, demotions or early retirements.

Human Resource Management and Staffing

An organization which has a low supply of manpower and a low demand should pay special attention to organizational planning, as this situation indicates a degree of saturation in the organization.

Check Your Progress

1. Which of the following is not an activity in human resource management (HRM) process?
 - a. Training
 - b. Human resource planning
 - c. Mission formulation
 - d. Compensation
2. _____ is the organization function of planning for human resource needs, recruiting and training candidates and evaluating their performance.
 - a. Resources management
 - b. Human resource management
 - c. Manpower management
 - d. Employee management
3. Which of the following involves estimating the size and makeup of the future workforce, and helping the organization acquire the right number and right kind of people when they are needed?
 - a. Human resource planning
 - b. Human requirements planning
 - c. Work force planning
 - d. Organizational planning
4. _____ is designed to ensure that the personnel needs of an organization are met in a timely and suitable manner.
 - a. Human relations planning
 - b. Human resource planning
 - c. Organizational planning
 - d. Work force planning
5. Which of the following is a computerized database containing basic information about each employee that can be used to assess the likely availability of individuals for meeting current and future human resource needs?
 - a. Manpower inventory
 - b. Replacement inventory
 - c. HR inventory
 - d. Skills inventory

Staffing

6. While replacement planning identifies specific candidates who could fill designated managerial positions, _____ planning ensures that these individuals receive the training and job assignments that would contribute to their long-run growth and development.
 - a. Manpower
 - b. Resources
 - c. Succession
 - d. Requirements

Staffing

Staffing is defined as filling and keeping filled positions in the organization. Staffing involves a set of activities aimed at attracting and selecting individuals for positions in a way that will facilitate the achievement of organizational goals. The organizational goals are achieved by inviting applications from and selecting individuals whose goals are congruent to the organizational goals. When staffing, it is necessary to take into account internal factors of the firm such as personnel policies, the climate in the organization, and the appraisal system. Staffing requirements in an organization change according to the external environment as well.

Once the manpower requirement is identified, a number of candidates may have to be recruited. This involves attracting qualified candidates to fill positions in the organization.

Training and Development

Although organizations often recruit fully qualified individuals who require little or no training, training is usually undertaken for new recruits as well as for existing manpower, who require improved skills in order to advance in the organization. Employees at all levels – managerial, technical, and operative – will require some training at some point of time in their careers. Although the objectives, methods, and course or program contents often differ, the basic principles of teaching/learning are the same. Training is formally defined as a planned effort to improve the performance of the employee in his area of work.

Development programs are designed to educate employees beyond the requirements of their present positions in order to prepare them for promotions. They also help them get accustomed to the organizational climate. Development is long-term in nature. It helps the employee fit into the organization.

Performance Appraisal

Performance appraisal compares an individual's job performance against standards or objectives developed for the individual's position. The process of performance appraisal involves defining the expectations for employee performance, measuring, evaluating, and recording employee performance against these expectations, and providing the employee with feedback regarding his performance. The major purpose of performance appraisal is to influence

Human Resource Management and Staffing

employee performance and development in a positive way. When the performance is high, the individual is likely to be rewarded (by a hike in pay or a promotion). If performance is low, some corrective action (such as additional training and development) might be arranged to make the performance meet the desired standards.

Compensation

Compensation consists of the wages paid directly to the employees for the amount of time worked or the number of units produced. It also includes the monetary and non-monetary benefits that an employee receives as part of his employment relationship with the organization. Wages paid for time worked (or number of units produced) are typically payments made in the form of cash and reflect direct work-related remuneration such as basic pay, merit increases, or bonuses. Benefits, on the other hand, are forms of supplementary non-monetary payments over and above the wages paid. A sound compensation program enhances the organization's ability to attract and retain employees.

Check Your Progress

7. A company has high demand and supply for manpower. Which of the following is not advisable for the organization to balance both the demand and supply of manpower?
 - a. Selection
 - b. Promotion
 - c. Layoffs
 - d. Out-placement
8. Which of the following is not a right choice when the manpower demand is low and supply is high in an organization?
 - a. Outplacement
 - b. Promotion
 - c. Early retirement
 - d. Demotions
9. _____ consists of a set of activities aimed at attracting and selecting individuals for positions in a way that will facilitate the achievement of organizational goals.
 - a. Recruitment
 - b. Selection
 - c. HR planning
 - d. Staffing
10. _____ is formally defined as a planned effort to improve the performance of the employee in his area of work.

Staffing

- a. Development
 - b. Training
 - c. Staffing
 - d. Appraisal
11. _____ programs are designed to train employees in the new skills to prepare them for promotions.
- a. Development
 - b. Training
 - c. Appraisal
 - d. Selection
12. Which of the following is not a part of human resource planning?
- a. Forecasting manpower demand
 - b. Forecasting manpower supply
 - c. Performance appraisal
 - d. Human resource actions

4. Recruitment

Heinz Wehrich and Harold Koontz define recruitment as “the process of identifying and attempting to attract candidates who are capable of filling job vacancies appropriately.” Therefore, a well-planned and well-operated recruitment system can generate qualified applicants in the required numbers. The more the pool of applicants, the better will be the selection process. Thus, effective recruitment ensures effective selection. The sources of recruitment can be internal/ external or both.

Sources of Recruitment

Internal recruitment: This involves identifying candidates within the organization who have the potential to fill the vacant position.

External recruitment: This involves attracting people from outside the organization to apply for vacant positions in the organization. External sources include:

- *Advertising:* Advertising in local newspapers is a good source of recruiting people for lower level positions. Though advertisements reach a large audience, they are likely to attract many unsuitable candidates. This increases the burden of the initial screeners. In order to avoid this problem, it is essential that the advertisements describe the job qualifications appropriately.
- *Educational institutions:* Educational institutions are an excellent source of potential employees for entry-level positions in organizations. However, some large firms look to educational institutions for high-level positions as well. Business colleges, vocational schools and universities are good sources of external recruits.

Human Resource Management and Staffing

- *Employment agencies:* Employment agencies are a good source for recruitment. Both the job description and job qualifications for the position to be filled must be conveyed clearly to the agency. The candidates are initially screened by the agency before they are sent to the recruiting firm. Therefore, the recruiter needs to spend time only with those candidates who are well qualified for the job.
- *Voluntary applicants:* “Walk-ins,” whether they reach the employee by letter, telephone or in person, are also a source of prospective applicants. Some firms view walk-in applicants as aggressive and self-reliant individuals. Others reject all unsolicited applications because they believe that the proportion of qualified applicants from this source is low.
- *Referrals by current employees:* Existing employees can be asked to furnish the names and details of people who they think are suitable for a particular vacancy in the organization. The employees may suggest the names of friends who work for another firm, or for relatives. This type of external recruitment can prove to be effective as the employees can provide information on the applicant’s ability to perform on the job and how well he or she can get along with others.

The recruitment process

The recruitment process starts when a vacancy arises and is reported to the human resource department. The recruitment process consists of five steps:

- i. ***Perform job analysis:*** Job analysis is the process of determining the tasks required to make up a job and the skills and abilities required by the candidate to perform the duties and responsibilities of the job. Job analysis consists of three steps: i) analyzing the environment in which employees work; ii) determining the duties and responsibilities to be performed; iii) recording the different tasks of the job as they are actually performed. Two widely used systematic job analysis approaches are the functional job analysis (FJA) and the position analysis questionnaire (PAQ). The FJA focuses on the task and technological factors at work. The PAQ too focuses on the task and technological factors, but in addition to these, it also takes into account the human factor. There is considerable overlap between FJA and PAQ. Each attempts to identify work activities and outcomes. But the PAQ, in addition, takes into consideration the individual’s psychological responses to the job and its environment.
- ii. ***Designing job description:*** Job description is a written statement describing the objectives of a job, the work to be performed, the skills required, the responsibilities involved, the relationship with other jobs, and the working conditions of the job.
- iii. ***Developing a job specification:*** The next move is to develop a job specification, which is a written document that describes the minimum qualification required by a person to fill a particular position. It also lists out the skills, education, and previous experience needed to perform the job.

Staffing

- iv. *Attracting a pool of applicants:* The next step in the recruitment process is to attract a pool of applicants. The future failure or success of a firm is determined by the ability of the firm to attract applicants. The number of applicants that an organization is able to attract depends on the sources used for recruitment.

Check Your Progress

13. Which of the following is an additional factor taken into account by Position Analysis Questionnaire (PAQ) when compared to Functional Job Analysis (FJA)?
- Monetary factor
 - Resources factor
 - Technological factor
 - Human factor
14. Which of the following is not included in job description?
- Working conditions
 - Duties
 - Work experience
 - Objectives
15. Which of the following is not included in a job specification?
- Education
 - Work experience
 - Duties
 - Skills
16. _____ is the process of identifying and attempting to attract candidates who are capable of effectively filling job vacancies.
- Staffing
 - Recruitment
 - Selection
 - Training
17. _____ refers to the process of determining the tasks that make up a job and the skills, abilities and responsibilities an employee needs to accomplish that job.
- Job analysis
 - Job evaluation
 - Job description
 - Job specification
-

5. Selection

Selection is the second step in the staffing process and involves selecting the candidates who best meet the qualifications and requirements of the job. The aim of effective selection is to choose the candidates who can meet the organization's goals.

The Selection Process

The basic steps in a selection process are as follows:

- i. **Preliminary screening:** This is used to quickly assess an applicant's suitability for a particular job. During this stage, unqualified applicants are screened out of the selection process. In this interview, the focus is mainly on the applicant's background, education, and experience.
- ii. **Application blank:** After qualifying in the preliminary screening, the qualified candidates are required to fill in a specially designed application form, which helps the organization to obtain the required information on the candidate. Interviewers use the details in this form to familiarize themselves with the candidate before interviewing him.

Example: Selection Process at HLL

Hindustan Lever limited follows a three-step selection process:

Screening of application forms: The company screens the applications based on the minimum qualification prescribed for eligibility. The selected candidates are required to fill in a detailed application form for further screening.

Preliminary interview: A manager conducts this 10- to 20-minute interview to assess if the candidate is worth further consideration. A second interview is also conducted before the applicant is rejected or selected for further consideration.

Final selection: This consists of two stages -- group discussion and a final interview. Group discussion itself consists of two stages: a group of six to ten applicants first selects a topic for discussion, the candidate is then asked to analyze a case pertaining to that topic. Candidates are rated based on a number of aspects like knowledge of the subject, clarity of thought, leadership qualities, etc.

A personal interview is then conducted and the board members discuss to select the candidate. The candidate has to finally undergo a medical examination before the final selection.

Source: L.M. Prasad, *Principles & Practice of Management* (Fifth edition, 1999)

- iii. **Selection tests:** Organizations use various tests to evaluate the skills of a candidate. The candidate is evaluated based on tests of abilities, aptitude, knowledge, and psychological factors. Some of the tests are given below:

Intelligence tests: To test alertness, comprehension, and reasoning.

Staffing

Personality tests: Test to measure personal characteristics, self-confidence, and emotional stability.

Knowledge tests: To test knowledge about a company, competitors, products, etc.

Performance or work sample tests: To measure practical ability to perform a specific job.

- iv. **Comprehensive interview:** At this stage, a detailed interview is designed to find out more details about the applicant. This helps in evaluating the suitability of the candidate for the particular job. Usually, the manager to whom the applicant is supposed to report conducts this interview. The type of interviews used can be structured, semi-structured, or unstructured.
- v. **Reference checks:** The recruiting firm asks the applicants to provide names and contact details of persons they can contact if the firm would like to know about the character and suitability of the applicants.
- vi. **Physical examination:** Physical examination is the last step before a candidate is selected. The physical examination is conducted to establish a health record of the applicant, protect the organization against unjust compensation claims, and to protect other employees against contagious diseases.
- vii. **Making the selection:** Applicants who pass all these selection stages are considered eligible to receive the offer of employment. At this stage, it is up to the applicant to accept the offer or not.

Activity: Describe the steps in the selection process that you went through before getting selected for the MBA program in this college.

Answer:

Check Your Progress

18. A/an _____ questionnaire, examines the actual behavior of employees on the job.
- a. Functional job analysis
 - b. Position analysis
 - c. Group analysis
 - d. Individual analysis

Human Resource Management and Staffing

19. Which of the following type of tests measure practical ability on a specific job, during the selection process?
- Personality tests
 - Knowledge tests
 - Work sample tests
 - Intelligence tests
20. _____ involves choosing the candidates who best meet the qualifications and have the greatest aptitude for the job.
- Staffing
 - Recruitment
 - Evaluation
 - Selection

6. Socialization Process of New Employees

Newly selected employees must be integrated into the organization. The process of adaptation by a new employee is referred to as the socialization process. The new employee has to adapt to a new environment – different work activities, a new boss, different group of co-workers, and different set of job performance evaluation standards. The socialization process determines the future success of the new recruit in the job. Recruitment, selection, and training efforts have a great impact on employee socialization. To make the socialization process effective, the employer should present a realistic picture of the job to the new recruit as well as provide him/her with good quality training.

There are primarily two levels of socialization. The first level – ‘initial socialization’ – occurs during the recruitment, selection, and during the introductory training efforts made by the firm. This stage ends when the new employees receive an initial orientation on the firm’s procedures and policies. The second level called ‘extended socialization’ aims at making the new recruit feel that he or she is an integral part of the company.

7. Summary

- The human resource process consists of five basic steps: 1) human resource planning, 2) staffing, 3) training and development, 4) performance appraisal and 5) compensation.
- The recruitment process involves five steps: 1) performing job analysis, 2) designing job description, 3) identifying job specification, 4) attracting a pool of recruits and 5) selecting the best recruits. Recruitment can be done from internal as well as external sources.
- The selection process has the following steps: 1) preliminary screening, 2) application blank, 3) selection tests, 4) comprehensive interview, 5) reference checks, 6) physical examination and 7) making the selection.

Staffing

- The socialization process determines the future success of the new recruit in the job. Recruitment, selection, and training efforts have a great impact on employee socialization.

8. Glossary

Application Blank: A form used widely as a selection method that contains a series of inquiries about such issues as an applicant's educational background, previous job experience, physical health and other information that may be useful in assessing an individual's ability to perform a job.

Career Planning: Personal determination of one's career path.

Human Resource Planning: Planning for the future personnel needs of an organization, taking into account both internal activities and factors in the external environment.

Job Analysis: A key activity in human resources planning that involves the systematic collection and recording of information concerning the purpose of a job, its major duties, the conditions under which it is performed, the contacts with others that job performance requires, and the knowledge, skills and abilities needed to perform the job effectively.

Human Resources Management (HRM): The management of various activities designed to enhance the effectiveness of an organization's work force in achieving organizational goals.

Job Description: A statement of the duties, working conditions and other significant requirements associated with a particular job.

Job Specification: A job design approach whereby jobs are configured so that job holders have only a small number of narrow activities to perform.

On-the-Job Training: Learning the specifics of a job in the actual work environment.

Promotion: Movement to a position with a higher pay, more responsibility and added status.

Recruitment: An activity in the staffing process that involves finding and attracting job candidates who are capable of effectively filling in job vacancies.

Selection: An activity in the staffing process that involves determining which job candidates best suit organizational needs.

9. Self Assessment Test

- 1) Describe the various activities in the human resource management process.. Explain in detail.
- 2) What is the role of job analysis in human resource planning? Why is a job description based on job analysis useful in human resource activities like recruitment, selection, and performance appraisal?

Human Resource Management and Staffing

- 3) Describe in brief the sources of recruitment.
- 4) Explain the seven steps in the selection process. Do all organizations need to follow the same sequence of steps in the selection process for all the jobs? Substantiate your answer.
- 5) Newly selected employees must be integrated into the organization. The process of adaptation by a new employee is referred to as the socialization process. Explain the process of socialization of new employees.

10. Suggested Readings/Reference Material

- Chapter 12: Human Resource Management and Staffing, *Introduction to Management*, ICMR Publications.
- Chapter 8: Managing Human Resources, Ricky W. Griffin. *Fundamentals of Management: Core Concepts and Applications*. First Indian edition. Chennai: All India Publishers & Distributors Regd, 2000.
- “Human Resources Management”
<http://www.mapnp.org/library/hr_mgmnt/hr_mgmnt.htm>

11. Model Answers

11.1 Model Answers to Check Your Progress Questions

Following are the model answers to the Check Your Progress questions given in the Unit.

1. (c) Mission formulation

HRM is defined as an organized function of planning for human resource needs, and recruitment, selection, development, compensation and evaluation of performance to fill those needs. The HRM process consists of five basic activities namely human resource planning, staffing, training and development, performance appraisal and compensation. Mission formulation is an activity of top level management.

2. (b) Human resource management

Human resource management aims at supplying the right people in the right positions in the organization. The major activities in the HRM process are human resource planning, staffing, training and development, performance appraisal, and compensation planning.

3. (a) Human resource planning

The process of human resource planning includes establishing future human resource needs relative to an organization's strategic plan and taking the necessary steps to meet those needs. HR planning is logically divided into forecasting manpower demand, forecasting manpower supply, and human resource actions.

Staffing

4. (b) Human resource planning

Human resource planning is the process of determining future human resource needs with regard to an organization's strategic plan and devising the steps necessary to meet those needs.

5. (d) Skills inventory

A skills inventory consists of information relating to each employee's experience, skills, performance, interests and other relevant personal characteristics.

6. (c) Succession

Succession planning is a method of internal labor supply, is a means of identifying individuals with high potential. Succession planning ensures that individuals receive appropriate training and job assignments that would contribute to their long-run growth and development. Thus, succession planning provides the organization with a well-qualified pool of individuals from which top-level and middle-level managers can be selected in the future.

7. (c) Layoffs

When there is high demand and supply of manpower, a company should go for placement, selection, and promotion. Layoffs are advised when there is low demand and high supply of manpower.

8. (b) Low demand – low supply

A situation of low demand and supply of manpower represents a degree of saturation in the organization. This situation signals the need for organization planning and training and development of its manpower if there are prospects of growth in future with an increase in demand for manpower.

9. (d) Staffing

The staffing process supports the implementation of the human resource plan by recruiting, evaluating and selecting qualified candidates for job positions in the organization.

10. (b) Training

Organizations conduct training programs for new recruits to help them understand the processes in the organization. Training programs are also conducted for existing employees who require improved skills in order to advance in the organization.

11. (a) Development

Development programs help employees to gain the skills necessary for taking on more responsible positions in the organization.

Human Resource Management and Staffing

12. (c) Performance appraisal

Human resource planning is the process that determines human resource needs of an organization in future relative to the organization's strategic plan and formulating necessary steps to meet the same. The HR planning process involves forecasting manpower demand, forecasting manpower supply, and human resource actions.

13. (d) Human factor

The PAQ too focuses on the task and technological factors, but in addition to these, it also takes into account the human factors. Though there is certain amount of overlap between PAQ and FJA, PAQ considers the employee's reactions to the job and its environment.

14. (c) Work experience

Job description is the second step in recruitment process. It is a statement describing working conditions on the job, objectives of a job, the responsibilities involved, etc. Work experience forms part of job specification and not job description.

15. (c) Duties

A job specification statement contains details of personal characteristics like education, work experience, skills, etc. Duties are included in job descriptions and not in job specifications.

16. (b) Recruitment

Recruitment involves attracting the best qualified applicants to fill the job. Recruitment can be carried out through internal as well as external sources.

17. (a) Job analysis

Job analysis is the process of determining the tasks that make up a job and the skills and abilities that the employee must have to fulfill the duties and responsibilities of the job. Job analysis is conducted through interviews, direct observation, etc.

18. (b) Position analysis

PAQ considers an individual's psychological response to the job and its environment.

19. (c) Work sample tests

Performance or work sample tests measure practical ability on a specific job. These tests predict the future performance of a candidate.

20. (d) Selection

In the selection process, individual characteristics are matched with job requirements.

Unit 13

Performance Appraisal and Career Strategy

Structure

1. Introduction
2. Objectives
3. Significance of Appraisal
4. Informal vs Formal Appraisals
5. Performance Rating Methods
6. Criteria for Appraising Managers
7. Formulating Career Strategy
8. Summary
9. Glossary
10. Self-Assessment Test
11. Suggested Readings/Reference Material
12. Model Answers

1. Introduction

In the previous unit, the HR process and basic functions of staffing were discussed. In this unit, the process of performance appraisal will be discussed. Assessment of employee contribution to the success and growth of an organization can be defined as the process of performance appraisal.

Continuous assessment of employee performance helps organizations to determine whether the performance of employees is aligned with the goals of the organization, gives feedback to the appraisee, determines how his/her performance can be improved and measures actual job performance to standard job performance. Thus, as an effective control technique, performance appraisal requires standards, information, and corrective action. Finally, managers must take corrective action to restore any imbalance between standard and actual job performance.

Performance appraisal is a continuous process that focuses on organization's objectives, task accomplishment, and personal development. Effective performance appraisal should recognize the sincere desire of employees for progress in their career.

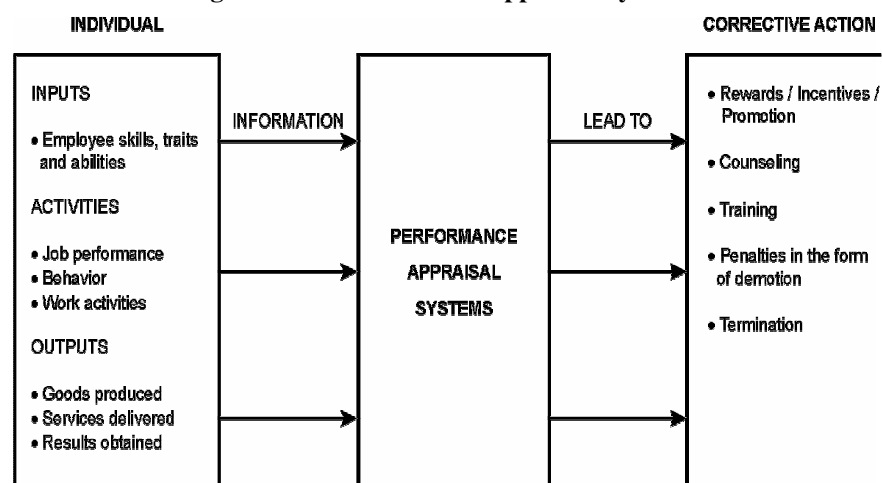
In this unit, the significance of appraisal, formal versus informal appraisals, performance rating methods is discussed. The unit also explains the criteria for appraising managers and formulating a career strategy.

2. Objectives

By the end of this unit, students should be able to:

- Explain the significance of performance appraisal
- Compare and contrast formal and informal appraisals
- Explain various performance rating methods
- Determine the criteria for appraising managers
- Identify the steps in formulating a career strategy

Figure 13.1: Performance Appraisal Systems



3. Significance of Appraisal

Performance appraisal is the process by which organizational expectations for employee performance are defined followed by the measurement, evaluation and recording of his/her actual performance relative to these predetermined expectations, and then providing the employee the relevant critical and constructive feedback. In simple words, performance appraisal can be defined as the formal evaluation of an individual's job performance against standards.

The major purpose of performance appraisal is to influence, in a positive way, both employee performance and organizational development. In addition, to these the appraisal process is used for a variety of other organizational purposes, such as making decisions about pay raises, planning future performance goals, assessing the promotional potential of employees, and determining training and development needs.

Thus, some of the objectives of appraisals include:

- Performance feedback
- Performance improvement
- Identification of potential

Staffing

- Promotion decisions
 - Compensation administration
 - Work-force planning
 - Validation of selection procedures
-

Check Your Progress

1. Comparing an individual's job performance against standards or objectives developed for the individual's position is known as _____.
 - a. Job appraisal
 - b. Evaluation
 - c. Performance appraisal
 - d. Development
 2. Which of the following is not an objective of performance appraisal?
 - a. Performance feedback
 - b. Performance improvement
 - c. Promotion decisions
 - d. Preliminary screening
 3. Which of the following involves the process of defining expectations for employee performance, measuring, evaluating and recording actual employee performance relative to these predetermined expectations, and providing the employee relevant and constructive feedback?
 - a. Performance evaluation
 - b. Performance appraisal
 - c. Work appraisal
 - d. Job appraisal
-

4. Informal vs Formal Appraisals

Informal Appraisal

An informal appraisal is where the manager mentions that a particular job was performed well or poorly during the performance of the job or immediately after the job is performed. In an informal appraisal, continuous feedback is provided regarding the performance of employees. As a close interactive relationship exists between behavior and feedback, informal appraisals encourage desirable professional behavior and prevent undesirable behavior. The feedback is usually spontaneously expressed or alternatively the subordinate can get immediate feedback from the superior as and when the job is completed.

Performance Appraisal and Career Strategy

Formal Appraisal

Formal appraisals are usually conducted annually or semi annually or on a systematic basis. In this process of formally evaluating employees, it is important for managers to evaluate employees not only on their present performance, but also on their ability to perform different tasks effectively in the future.

Four basic approaches are proposed for formal performance appraisals:

Superior's rating of subordinates

The first approach, 'A superior's rating of subordinates', is a common approach and is followed in most organizations.

A group of superiors rating subordinates

In this method, a subordinate is rated by a managerial committee or by a group of managers who fill separate rating forms. This approach is considered to be more effective than the first approach because it relies on the feedback of a number of managers.

Peer assessment

The third approach is the rating of an individual by his peers. Employees working at the same organizational level are asked to rate their co-workers. This approach is rarely followed in organizations, as this too can be subjective.

Subordinate's ratings

The fourth approach is subordinates' rating of superiors. Here subordinates evaluate their superior's performance. Though not widely used earlier in business organizations, now this approach is becoming a common method of evaluating managers and helping them to improve their performance.

Apart from these four approaches, there is another method of performance which is called the "360-degree appraisal." In such an appraisal the individual is evaluated by his or her superior/superiors, peers, and subordinates. Thus the "360-degree appraisal" is in fact an amalgamation of all the four formal appraisal methods discussed earlier. If 360-degree appraisals are to be successful, they need to be carefully designed and skillfully implemented.

Figure 13.1 shows a performance appraisal system which has the characteristics of all feedback control methods.

The effectiveness of a formal performance appraisal system depends on the quality of control techniques used. They include standards, information, and corrective action.

Standards

Measurement standards are the criteria on which an employee's performance is measured. They define the employer's expectations out of a particular job.

Staffing

Management should therefore pay adequate attention while defining these standards, which need to be aligned to the organizational goals. The standards should also motivate employees to perform efficiently towards achieving those goals.

Example: Use of Inappropriate Performance Standards

A manager in a consultancy firm observed that his consultants tended to concentrate on increasing the number of slides prepared by them, without paying attention to the quality of those slides. On further analysis, it was observed that since the employer used the number of slides as the measure of a consultant's performance, all efforts by the employees were directed towards increasing this number. Therefore, work suffered due to the use of an inappropriate evaluation criterion.

Example: Recognizing Employee Contributions

Two companies 'Medicorp' and 'PharmaCo' recruited their sales force from the same source - B. Pharm students from reputed institutes - and were involved in similar activities (marketing of pharma products). Yet, it was observed that employees at Medicorp were happier and performed better than the employees at PharmaCo.

A study revealed that people at PharmaCo performed half-heartedly because they believed that they were not getting adequate recognition for their individual efforts. At Medicorp, all information regarding a person's contribution to his/her work was properly documented and accounted for in the on-line tracking system. This increased employee job satisfaction at Medicorp and led to better job performance.

Information

Unbiased and complete information is essential to determine the actual performance of the appraisee.

Sources of information: Information can be collected from five possible sources:

a) superiors; b) peers; c) subordinates; d) the employee herself, and; e) individuals outside the organization like vendors/suppliers, channel partners, customers, etc.

Incomplete and incorrect information erodes the sanctity of the performance appraisal system and causes chaos within the organization. So, care should be taken to design a holistic information gathering system within the organization.

Schedule of appraisal: The time and frequency of appraisal depends on the situation and on the purpose of the appraisal. If performance appraisals occur too frequently, the appraisee may not be able to use the feedback to make improvements. The performance appraisal program should be considered an ongoing continuous process that focuses on the organization's objectives, on task accomplishment, and the personal development of the employees.

Performance Appraisal and Career Strategy

Activity: You did well in the first two years of your undergraduate course, but your performance was gradually deteriorating in the third year. After seeing your half-yearly report, your mother talks to you to find out the problem. She promises to help you by arranging a tutor for Accounting, a subject which you were finding difficult. She also promises you a long holiday with your cousin abroad, after the exams, if you fare well. The tutorial and the promise of the holiday motivate you to improve your performance and you top your class. Can similar techniques be used to improve employee performance in an organization? What other techniques can be used? Discuss.

Answer:

Appraisal methods: The most simplistic method of information-gathering for appraisal consists of the manager's periodic observations of the subordinate's performance. But this may sometimes become subjective. There are other more complex systems where the manager fills in forms which document the subordinate's performance during the period covered by the appraisal. This may be more objective.

Corrective action

In the final stage, the employee is either rewarded for his/her performance through monetary and non-monetary benefits like incentives, pay-raises, promotion, etc. In cases where there is scope for improvement, the employee is given training, and other corrective measures are taken to bridge the difference between expectations and actual performance.

Check Your Progress

4. Which of the following is not an approach to performance appraisal?
 - a. Superior's rating of subordinates
 - b. Subordinates' rating of superiors
 - c. Third party feedback
 - d. Group of superiors rating subordinates
5. Which of the following is/are control technique(s) used for a formal performance appraisal system?
 - a. Standards
 - b. Information

Staffing

- c. Corrective action
 - d. All the above
6. In which of the following appraisal does the manager verbally inform an employee that a particular job was performed well or poorly?
- a. Informal
 - b. Formal
 - c. Systematic
 - d. Official
7. Company C adopted a performance appraisal approach that includes assessment of individuals' performance by his/her superior(s), subordinates and peers. Which of the following approaches is Company C following?
- a. 90-degree appraisal
 - b. 180-degree appraisal
 - c. 270-degree appraisal
 - d. 360-degree appraisal
8. Which of the following is a mix of all the four approaches to formal appraisal?
- a. Peer assessment
 - b. Superior's rating of subordinates
 - c. 360-degree appraisal
 - d. Subordinates' ratings of superiors

5. Performance Rating Methods

Different performance rating methods are followed in different organizations. These methods could be behavior-oriented (focused on employees behavior) or results-oriented (focused on the output generated) or a combination of the two. Rating a person on his honesty, friendliness, or sense of humor is a system based on behavioral traits; the percentage of the sales target a person is able to meet, focuses on his output and is therefore result oriented.

Graphic Rating Method

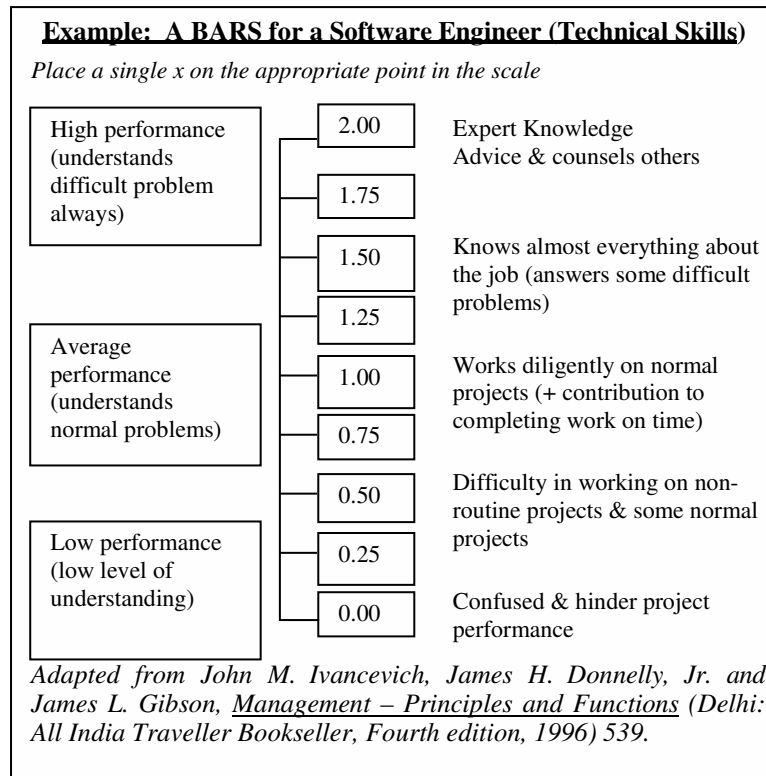
This method of appraisal requires the rater to rate the employee on factors like quantity and quality of work, job knowledge, dependability, punctuality, attendance etc. Graphic rating scale includes numerical ranges as well as written descriptions.

There are two disadvantages to the graphic rating scale method. One is regarding the choice of employee behavior categories- the important ones might get missed out and the irrelevant ones may get included. The second disadvantage is that different people may interpret the written descriptions in different ways. This might lead to confusion and loss of reliability.

Performance Appraisal and Career Strategy

Behaviorally Anchored Rating Scales (BARS)

BARS concentrates on the behavioral traits demonstrated by the employees instead of his actual performance.



There are three steps in implementing a BARS system. They are:

1. Determination of relevant job dimensions by the manager and the employee
2. Identification of behavioral anchors by the manager and the employee for each job dimension.
3. Determination of the scale values to be used and grouping of anchors for each scale value, based on consensus.

The main advantage of BARS is that both the manager and the employees are actively involved in the appraisal process. This increases the relevance of the system to each job and also improves its acceptance by employees. However, one drawback of this system is that it is cumbersome and needs considerable time and commitment to develop.

The form for a BARS usually covers 6 to 10 specifically defined job behaviors, each uniquely described. The criterion is defined for the appraiser; the descriptions defining the particular response categories are easy to interpret. Moreover, the feedback provided by the BARS is specific and meaningful.

Staffing

BARS acts as a tool for providing valuable insight into developing training programs. With the help of this training, employees can learn expected behavior and they become knowledgeable about how their job is being evaluated. Also the evaluation program concentrates on job-relevant and job-specific behaviors. An additional advantage of BARS is that in the process of appraisal, both superiors and subordinates can equally contribute to the development of evaluation criteria and the critical incidents that are used to define each level of performance.

Despite several advantages, BARS are time-consuming and costly to develop as they have to cover each and every dimension of all the jobs in the department.

6. Criteria for Appraising Managers

Given consistent and integrated planning designed to reach specific objectives, the best criteria of judging managerial performance relate to the ability to set goals, to plan programs that would help in accomplishing those goals, and to succeed in achieving them. The system of measuring performance against verifiable goals should also be supplemented by the appraisal of a manager as a manager. Managers should be appraised on the basis of how well they understand and undertake managerial functions.

Appraising Managers against Verifiable Objectives

A widely used approach to managerial appraisal is to evaluate their performance in setting and accomplishing verifiable objectives. In order to effectively manage and accomplish tasks, it is necessary that employees be given realistic and attainable targets.

The Appraisal process

The appraisal process can be made easier by setting verifiable objectives. In some organizations, appraisal through results fails. The main reason may be that management by objectives is mainly seen as an appraisal technique rather than as a key to planning, organizing, staffing, leading, and controlling. In such cases where results oriented appraisal fails, managers have to verify whether the objectives set by them are practically verifiable and actually attainable. They must then assess how employees have performed in relation to these unrealistic objectives.

When assessing the accomplishment of goals, it is important that managers take into account whether the goals were realistic enough to attain and the factors that led to the accomplishment of the task or else if the task is not accomplished, the reasons that hindered the accomplishment of the task. The evaluation should also include whether the individual continued to work with the same obsolete goals in spite of the changing situations.

The three types of appraisals are : (1) a comprehensive review, (2) progressive or periodic reviews, and (3) continuous monitoring.

Performance Appraisal and Career Strategy

A *formal comprehensive appraisal* is usually conducted once a year, while in some enterprises, all the reviews are conducted within a brief period of time every year, others schedule the appraisals in such a way that they are spread out over a longer period of time or through the year. It is important that formal comprehensive reviews are supplemented by frequent *progressive or periodic reviews*. Periodic reviews can be short and relatively informal. They help to identify the problems or barriers that hinder effective performance, and facilitate a smooth flow of communication between the superior and his/her subordinates. Finally, there is *continuous monitoring* of performance. When performance is monitored continuously, one does not have to wait for the next periodic review to correct deviations of performance from plans. The supervisor can immediately discuss the problem with the subordinates and this allows for corrective action to be taken immediately.

Strengths of appraisal against verifiable objectives

A lot of similarity occurs between the process of appraising an individual on the basis of accomplishment of objectives and the process of management by objectives. Both these processes are important for effective management and improving the skills of employees. Appraisal against verifiable objectives has several strengths. The appraisal is operational in nature. It does not form a separate component different from the job but is a review of what they actually did as managers. Another advantage to be gained is that you gain credibility since the appraisal is based on objectivity rather than mere judgment.

Weaknesses of appraisal against verifiable objectives

There are certain inherent weaknesses in the implementation of MBO. The same applies to appraisal against verifiable objectives. Luck plays an important role in the performance of an individual. It may so happen that sometimes employees may miss or may not meet goals due to no fault of theirs. Sometimes it is also possible that sudden cancellations in orders can bring down the profits and this can show up the poor performance of a particular unit.

Though evaluators insist that uncontrollable factors are taken into consideration, in reality it is rarely done, as it is extremely difficult. In such a system, it is difficult to measure the performance of non-performers. Since this method lays more emphasis on operating objectives, it may overlook the need for individual development. This method does not take into consideration the managerial abilities of an individual and concentrates only on the individual's operating performance.

Appraising Managers as Managers

When appraising managers it is important to have certain set standards. The fundamentals of management can provide appropriate standards for appraising managers. It is also imperative that the appraisal in order to be effective, should move beyond evaluating the basic functions of the manager. The fundamentals of management provide benchmarks to evaluate how employees understand, assess and follow the functions of managing.

Staffing

In the three other areas of managing, that is – staffing, leading, and controlling – managers are rated on how well they perform the activities. The scale used is from 0 to 5 ranging from inadequate to superior.

In order to reduce subjectivity and to increase discrimination among performance levels, the ratings must also be reviewed by the superior's superior.

Advantages of appraising managers as managers

This method has been found useful as it uses the fundamental principles of management theory. By doing so it gives operational meaning to what management really means. Communication difficulties can be avoided by using a standard reference text to interpret the concepts and terms of management theory. This approach has also been found to be useful in drawing the attention of the manager to certain basic principles that may have been disregarded. Further, it identifies both areas of weaknesses and the strengths of the organization.

Weaknesses of appraising managers as managers

One of the shortcomings of this approach is that it is applicable only to the managerial aspects of a given position and not to such technical qualifications as marketing or engineering abilities that might also be equally important and need to be assessed. The innumerable checkpoints also add to the complexity of the process. Rating all of them takes quite a lot of time. Another major shortcoming is the subjectivity factor involved.

Check Your Progress

9. In a _____ appraisal employees are evaluated on the basis of their actual job performance.
 - a. Behavior-oriented
 - b. Results-oriented
 - c. Work-oriented
 - d. Skills-oriented
10. A _____ appraisal focuses on employee behavior.
 - a. Skills-oriented
 - b. Work-oriented
 - c. Behavior-oriented
 - d. Results-oriented
11. _____ contain sets of specific behaviors that represent gradations of performance used as common reference points (or anchors) for rating employees on various job dimensions.
 - a. Behaviorally anchored rating scales
 - b. Graphic rating scales
 - c. Behavior rating scales
 - d. Behavior scales

Performance Appraisal and Career Strategy

12. Which of the following is not a model of performance appraisal?
- a. Comprehensive review
 - b. Progressive review
 - c. Static review
 - d. Continuous monitoring
-

7. Formulating Career Strategy

During the entire process of performance appraisal, it is important to identify the strengths and weaknesses of an individual. This identification is the first step in formulating a career plan. A career strategy should be so designed that it helps an individual to utilize his strengths to the maximum extent and overcome weaknesses. The steps in formulating a career strategy are explained as follows:

Preparation of a Personal Profile

The first step in formulating a career strategy is the preparation of a personal profile. This is a difficult task which requires an insight into oneself. Managers should take up introspection in order to assess whether they are introverts or extroverts, their attitude towards performance of tasks, money and the like.

Development of Long-range Personal and Professional Goals

Developing long-range personal and professional goals is important for career planning. Managers usually resist such goal-setting because uncertainties in the environment can hinder the achievement of the set goals and further, non-achievement of these goals can result in estimable harm to one's ego.

Individual resistance to setting goals can be avoided by the careful planning of career goals based on performance goals. Secondly, goals should be made flexible according to the changing circumstances in the environment.

Analysis of Environment Threats and Opportunities

It is necessary to analyze the dangers and opportunities that are internal and external to the organization. These include economic, social, technological, and demographic factors. Apart from these, the labor market, business competition, and other factors also have an impact on a particular situation and the establishment of career goals. It is also important to be concerned not only about the present but also about the future environment. This requires forecasting.

Analysis of Personal Strengths and Weaknesses

A career plan can be successful, if the opportunities and threats are matched with the strengths and weaknesses of the individuals. Individual capabilities may be categorized as technical, human, conceptual, or design oriented. The relative importance of these skills differs for various positions in the organizational hierarchy. For instance, technical skills are very important at the supervisory level, conceptual skills are crucial for top managers, and human skills are important at all levels.

Staffing

Development of Strategic Career Alternatives

There are a number of methods to develop successful strategic career alternatives. Firstly, one has to take advantage of one's opportunities and build strategies based on them. Also, one has to recognize the threats in the environment and frame strategies to counter these threats.

Consistency Testing and Strategic Choices

The most obvious rational choice based on strengths and opportunities is not always the most fulfilling alternative in developing a career strategy. Though a person may have certain skills that are in demand in the job market, a career in that field may not be congruent with personal values or interests. Hence strategic choices require trade-offs. They require rational and systematic analysis of an individual in analyzing his personal preferences, ambitions, and values.

Development of Short-range Career Objectives and Action Plans

Career strategy has to be supported by short-term objectives and action plans too. For instance, if an individual aspires to become a systems analyst, his short-term objective may be to pursue a relevant computer course.

Development of Contingency Plans

As the future cannot be predicted with absolute accuracy, career plans are developed in an environment of uncertainty. Thus, it becomes imperative to develop contingency plans based on alternate assumptions.

Implementation of a Career Plan

Once contingency plans are developed, the next step would be to implement the career plan. Career planning starts during performance appraisal and it is the right time to discuss an individual's personal growth and development. At this stage, personal goals and ambitions can be considered in designing training and development programs.

Monitoring Progress

Progress toward career goals must be monitored and necessary corrections in the aims or plans must be made. Performance appraisal is the right time to assess career programs. Apart from this progress has to be monitored as and when a task or project is completed.

8. Summary

- Performance appraisal can be defined as the formal evaluation of an individual's job performance. It involves giving feedback to the individual and includes constructive solutions for further improvement.
- In an informal appraisal, continuous feedback is provided regarding the performance of employees. Formal appraisals are usually conducted annually or semi annually or on a systematic basis.

Performance Appraisal and Career Strategy

- There are various methods of performance appraisal which are used in different organizations. Commonly used performance appraisal methods in modern day organizations include: MBO, Graphic rating scale, BARS, and 360-Degree Appraisal System.
- The best criteria of judging managerial performance relate to the ability to set goals, to plan programs that would help in accomplishing those goals, and to succeed in achieving them.
- A career strategy should be so designed that it helps an individual to utilize his strengths to the maximum extent and overcome weaknesses.

9. Glossary

Behaviorally Anchored Rating Scales (BARS): Performance appraisal techniques containing set of specific behaviors rated on an incremental scale, that is, in turn, divided into increments of observable job behavior.

Graphic Rating Scales: Performance appraisal scales that list a number of factors, including general behaviors and characteristics, on which an employee is rated by the supervisor.

Performance Appraisal: The process of defining expectations for employee performance; measuring, evaluating, and recording employee performance relative to those expectations; and providing feedback to the employee.

10. Self-Assessment Test

- 1) Define performance appraisal and explain its significance..
- 2) Describe briefly the four basic approaches for formal performance appraisals.
- 3) Briefly explain graphic rating and behaviorally anchored rating scale methods of performance appraisal.
- 4) Explain the criteria for appraising managers.
- 5) Describe the steps in the formulation of a career strategy.

11. Suggested Readings/Reference Material

- Chapter 15: Human Resources Policies and Practices, Stephen P. Robbins. *Organizational Behavior - Concepts, Controversies, Applications*. Eight edition. New Delhi: Prentice-Hall of India Private Limited, 1998.
- "Performance Appraisals," Country Monitor, April 8, 2002, Vol 10, Issue 13, p5.
- "Performance Appraisal Tips Help Page"
<http://iso9k1.home.att.net/pa/performance_appraisal.html>
- "Performance Appraisal"<www.performance-appraisal.com/intro.htm>

Staffing

- “Theory Overview”
<http://www.business.com/directory/management/management_theory/contingencyand_system_theory/>

12. Model Answers

12.1 Model Answers to Check Your Progress Questions

Following are the model answers to the Check Your Progress questions given in the Unit.

1. (c) Performance appraisal

The performance appraisal process defines the standards for employee performance, measures, evaluates, and records employee performance against these standards and finally gives feedback to employees regarding their performance.

2. (d) Preliminary screening

Performance appraisal is the formal evaluation of an employee's job performance. The objectives of performance appraisal are promotion decisions, performance feedback and performance improvement. Preliminary screening is not an objective of performance appraisal. It is a step in the recruitment process.

3. (b) Performance appraisal

Performance appraisal is defined as the formal evaluation of an individual's job performance. It also involves giving feedback to the individual concerned and developing constructive solutions for further improvement.

4. (c) Third party feedback

The basic approaches to a formal performance appraisal are: superior's rating of subordinates; subordinates' ratings of superiors; a group of superiors rating subordinates; and peer assessment. Third party feedback is not an approach to performance appraisal.

5. (d) All the above

The effectiveness of a formal performance appraisal system depends on the quality of control techniques used. They include standards, information, and corrective action.

6. (a) Informal

Through informal appraisals employees receive continuous feedback regarding their performance. Such appraisals encourage appropriate behavior and prevent undesirable behavior.

7. (d) 360-degree appraisal

Company C is using the “360-degree appraisal” approach. In this approach, an individual is evaluated by all the four forms of formal appraisal. To be successful, a 360-degree appraisal needs to be carefully designed and skillfully implemented.

Performance Appraisal and Career Strategy

8. (c) 360 - degree appraisal

In “360degree appraisal,” an individual is evaluated using all the four approaches to formal appraisal. To be successful, these appraisals must be carefully designed and skillfully implemented.

9. (b) Results-oriented

A result-oriented appraisal considers the output generated or the services rendered by an individual.

10. (c) Behavior-oriented

A behavior-oriented appraisal focuses on employee behavior. Graphic rating scales and behaviorally anchored rating scales are the two means of assessment in this appraisal.

11. (a) Behaviorally anchored rating scales

Behaviorally anchored rating scales (BARS) usually focus on jobspecific and jobrelevant behaviors. BARS help supervisors identify meaningful job behaviors that can be used in the process of interviewing an employee during appraisal.

12. (c) Static review

The three types of performance appraisals are comprehensive reviews, progressive reviews, and continuous monitoring. A static review is not a type of performance appraisal.

Unit 14

Organizational Change and Organization Development

Structure

1. Introduction
2. Objectives
3. Organizational Change
4. Planned Change through Organization Development
5. Organizational Development Process
6. Approaches to Manager Development
7. Organizational Conflict
8. Summary
9. Glossary
10. Self Assessment Test
11. Suggested Readings/Reference Material
12. Model Answers

1. Introduction

In the previous unit, the performance appraisal function was discussed. In this unit, organizational change and organization development (OD) will be discussed. Organizations working in a dynamic and changing business environment realize that change is an inherent aspect of management and to survive they need to adapt to these changes. The reasons for these changes are varied, ranging from having a multicultural workforce to technological trends that have an impact on the functioning of the organization.

OD is a change effort that is planned, focused on an entire organization or a large subsystem, aimed at enhancing organizational effectiveness, and based on planned interventions made with the help of a change agent or third party who is well versed in behavioral sciences.

In this unit, organizational change, its cause, and its process will be discussed. The unit also explains the process of OD, different approaches to manager development, and describes the sources of organizational conflict.

2. Objectives

By the end of this unit, students should be able to:

- Explain organizational change and sources of resistance to change
- Identify the objectives of organization development

Organizational Change and Organization Development

- Discuss the process of organizational development
- Explain the approaches to manager development
- Determine the sources of organizational conflict

3. Organizational Change

Forces of change may arise either from the organization's external or internal environment or from the individuals themselves. There are two ways to respond to these changes -- react to the crisis situation or plan for the change. Planned change reflects a change in goals or operating philosophy and involves implementation of a new policy.

Factors that Lead to Organizational Change

- Nature of the workforce:** Globalization has led to a multicultural work environment. So, organizations should form policies and programs that will be helpful in effectively managing the diverse workforce.
- Technology:** Many organizations now use sophisticated information technology to adapt themselves to the competitive business world. Thus, direct supervision has been replaced by computer control. This has resulted in a wider span of control for managers and to a flat organizational structure. Individuals doing narrow, routine and specialized jobs are being replaced by work teams whose members can perform multiple tasks and actively participate in team decisions.
- Economic factors:** Economic factors such as interest rate fluctuations and foreign currency fluctuations also bring about change.
- Competition:** Increasing competition from both traditional competitors who develop new products and new entrants with innovative offerings pose a big threat to organizations and can act as a factor that can cause organizational change.

Sources of Resistance to Change

The greatest challenge for an organization adapting to these changes is managing employee resistance, which can be implicit or deferred. Implicit resistance can be in the form of loss of loyalty, loss of motivation to work, and increased errors or mistakes. These are difficult to recognize and tackling such resistance is a challenging task for the organization. This resistance can hinder the progress of the organization if it does not deal with it in the early stages. The main reasons for resistance to change are both individual and organizational.

Individual resistance

Individual resistance arises due to differing perceptions, personalities and needs. Some of the reasons for an individual's resistance to change are discussed below.
Habit: Individuals generally feel comfortable in the environment that they are habituated to. When confronted with change, the thought of moving away from the environment they are accustomed to becomes a source of resistance.

Staffing

Security: Safety and security are high priorities for any individual. When employees feel that the security of their job is threatened by change, they resist it.

Economic factors: In organizations where pay is tied to productivity, individuals usually resist change as they fear that they will not be able to perform new tasks effectively, thus causing a decline in productivity and a decrease in their income.

Fear of the unknown: The introduction of new concepts or techniques in the workplace can result in resistance from employees. The introduction of computers in an organization means that employees will have to learn certain packages to work efficiently. This may not be liked by some employees, and they may develop a negative attitude towards computers and resist them.

Selective information processing: Perceptions play an important role in shaping one's world. The information that individuals process becomes selective as it is according to their perceptions. So, information that is within their perceptions is accepted and the rest rejected.

Organizational resistance

Organizations are conservative by their very nature. They actively resist change. Six major sources of organizational resistance are outlined here.

Structural inertia: Organizations usually develop structures and processes that help them in achieving their goals. On the basis of these processes, recruitment, training and development take place in organizations. Organizations get accustomed to these processes and consequently are unwilling to make any changes.

Limited focus of change: Systems and processes in organizations are interdependent. So, change in one system will definitely have an impact on other systems. Hence, change in organizations does not have a limited focus.

Group inertia: The group plays an important role in influencing an individual to resist change. Even though an individual is willing to accept the change, the norms of the group act as a constraint. Unions in organizations follow certain norms, and may resist changes made by the management if these changes oppose the norms followed by the union.

Threat to expertise: Sometimes the introduction of certain changes can reduce the expertise of certain specialized departments.

Threat to established power relationships: Changes in the business environment often result in changes in the structure and functioning of teams. This can alter the distribution of authority and long term power relationships. Consequently they oppose such changes.

Threat to established resource allocation: Groups that control sizable resources in the organization often see change as a threat. They tend to be content with the way things are.

Organizational Change and Organization Development

Measures to overcome resistance to change

There are six ways in which managers can overcome the initial resistance to change. These alternatives, the situations in which they are commonly used, and the advantages and disadvantages of each are discussed below:

Education and Communication

This involves explaining the need for and the logic of change to individuals. In other words, it involves providing adequate information and making sure that the change is communicated clearly to those it will affect. Communication can be achieved through face-to-face discussions, formal group presentations, or special reports or publications. This method is commonly used when there is lack of information or inaccurate information and analysis about a change.

Participation and Involvement

Resistance tends to be less pronounced when the individuals who will be affected by a change are allowed to participate in planning and implementing it. Personal involvement through participation tends to defuse both rational and irrational fears about a change.

Facilitation and Support

When fear and anxiety are responsible for resistance to doing things in a new and different way, encouragement and support from the management in the form of special training, job stress counseling, and compensatory time off can be helpful. This method is used when people are resisting change because of adjustment problems.

Negotiation and Agreement

In this method, management neutralizes potential or actual resistance by offering something of value in exchange for cooperation. This method is a relatively easy way to avoid major resistance to change.

Manipulation and Co-optation

Manipulation refers to covert attempts to influence change. It usually involves selectively providing information about a change so that it appears more attractive or necessary to potential resisters. The selective use of information misrepresents the potential negative aspects of a change thus raising ethical issues. In co-optation, a leader or an influential person among the potential resisters is given a seemingly desirable role in the change process in order to gain the leader's cooperation. It is a form of both manipulation and participation as it seeks to "buy off" the leaders of a group resisting change by giving them a key role in the change decision. The leader's advice is sought, not to arrive at a better decision, but to gain his/her endorsement of the change.

Explicit and Implicit Coercion

This strategy involves making direct or indirect use of power to pressurize change resisters to conform. Managers who cannot or will not invest the time required by other strategies can force employees to go along with a change by threatening them with termination, transfer, loss of pay raises or promotions, and the like.

Staffing

Check Your Progress

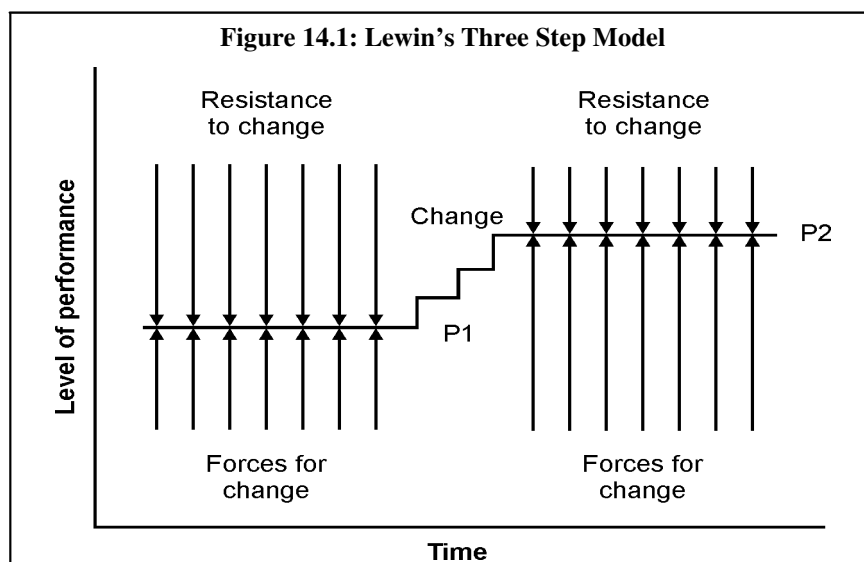
1. _____change refers to the deliberate implementation of a new policy or goal, or new operating philosophy, climate or style.
 - a. Routine
 - b. Planned
 - c. Specific
 - d. Spontaneous
 2. Which of the following is not a way to overcome the initial resistance to change in organizations?
 - a. Education and communication
 - b. Group inertia
 - c. Participation and involvement
 - d. Negotiation and agreement
 3. Which of the following is not a source of individual resistance to change?
 - a. Security
 - b. Economic factors
 - c. Structural inertia
 - d. Selective information processing
 4. Organizational change occurs due to changes in _____factors like interest rate fluctuations and foreign currency fluctuations.
 - a. Technological
 - b. Social
 - c. Demographic
 - d. Economic
 5. Which of the following strategies for overcoming resistance to change involves explaining the need for and the logic of change to individuals?
 - a. Participation and involvement
 - b. Facilitation and support
 - c. Negotiation and agreement
 - d. Education and communication
 6. Through _____management neutralizes potential or actual resistance to change by exchanging something of value for cooperation.
 - a. Facilitation and support
 - b. Negotiation and agreement
 - c. Manipulation and co-optation
 - d. Explicit and implicit coercion
-

Organizational Change and Organization Development

Change Process

Changes do not take place instantaneously. In fact, change involves several steps. The change process can be studied at individual, group, and even at organizational levels. Kurt Lewin said there were three steps that organizations usually followed to achieve acceptance of change (Refer to Figure 14.1 for Lewin's Three Step Model). The three steps are:

- i. *Unfreezing*: In this stage, the need for change is made very obvious to the individual, group, and organization so that they will accept it without reserve. Status quo is considered as a state of equilibrium. Unfreezing is required, both to move from this equilibrium, and to overcome individual as well as group conformity. This can be achieved in one of three ways. First, the driving forces, which direct behavior away from the status quo, can be increased. Second, the restraining forces, which hinder movement from the existing equilibrium, can be decreased. The third alternative is to combine the first two approaches.
- ii. *Moving*: In this stage of the change process, new attitudes, values, and behaviors are discovered and adopted. Usually, during this stage, a trained change agent leads individuals, groups, and the entire organization. The change agent cultivates new values, attitudes, and behavior.
- iii. *Refreezing*: This involves locking the new behavior pattern by means of a supporting or reinforcing mechanism, so that it is accepted as the new norm. In order to make the change process successful, the new pattern has to completely replace the former. The objective of refreezing, then, is to stabilize the new situation by balancing the new restraining and driving forces.



Source: "Dr. Robin Stanley Snell, "Organizational Change,"
<www.ln.edu.hk/mgt/staff/robin/People/ChangeSlides.ppt>

Staffing

Check Your Progress

7. Which of the following approaches is not a method for unfreezing the status quo?
 - a. Increase driving forces, which direct behavior away from the status quo
 - b. Decrease restraining forces that hinder movement from the existing equilibrium
 - c. Increase driving forces and reduce restraining forces from the status quo
 - d. Decrease driving forces moving away from the status quo
 8. The objective of refreezing is to _____ the new situation by balancing the new driving and restraining forces.
 - a. Stabilize
 - b. Unstabilize
 - c. Unequalize
 - d. Disarrange
 9. According to _____, organizations must go through a three step change process (unfreeze, move, refreeze) to achieve acceptance of change.
 - a. Elton Mayo
 - b. Frederick W. Taylor
 - c. Kurt Lewin
 - d. Max Weber
 10. According to Kurt Lewin, the first step to overcome resistance to organizational change is to unfreeze the status quo. The status quo can be regarded as a _____.
 - a. State of equilibrium
 - b. State of instability
 - c. State of dis-equilibrium
 - d. State of disparity
 11. In which of the following stages of the change process is the new behavior pattern locked in by means of supporting or reinforcing mechanism so that it becomes the new norm?
 - a. Moving
 - b. Refreezing
 - c. Unfreezing
 - d. Freezing
-

Organizational Change and Organization Development

4. Planned Change through Organization Development

Heinz Weihrich and Harold Koontz defined organizational development as “a systematic, integrated and planned approach to improving the effectiveness of groups of people and of the whole organization or a major organizational unit.” In other words, OD is a change effort that is planned, focused on an entire organization or a large subsystem, aimed at enhancing organizational effectiveness, and based on planned interventions made with the help of a change agent or third party who is well versed in behavioral sciences.

Activity: A company has recently purchased equipment which, when installed, will do the work of 100 employees. Employees of the company are concerned and are threatening to take some kind of action. If you were the HR manager, how would you try to convince everyone about the need for the equipment?

Answer:

Example: Innovative Changes in Samsung

Based on a consultant's report in 1993, Lee Kun-Hee, son of the founder of Samsung, wanted to change the way things were managed in the organization. His motto was “quality first, no matter what.” He initiated several changes.

- 1) He started a school to train all 850 top executives for six months. The top executives were asked to travel in trains and buses to have direct contact with people and to learn the culture and language of other countries.
- 2) The most important change that he initiated came as a culture shock to all the Korean employees. Work hours were changed from the traditional 9.00am to 8.00pm to 7.00am to 4.00pm.

Lee predicted that 5% of managers would be unable to accept the changes and would lose their jobs; 25 to 30% would have a difficult time with the change and they would be demoted to positions they could handle. Only the about 10% who would actually do well under the new system would be promoted. Lee believed that it was necessary to change the organization in this way to bring about the creativity and innovation he wanted in Samsung.

Staffing

The Objectives of OD

The objectives of organizational development are to bring about awareness in the employees about the organization's effectiveness, to encourage employees to solve problems, to encourage employee participation in the planning process, to strengthen inter-personnel trust, and to replace formal lines of authority with personal knowledge and skill.

5. Organizational Development Process

The organizational development (OD) process consists of three steps. These are:

Diagnosis

The first step involves diagnosis of the present situation. Change agents collect the required information through interviews, questionnaires, internal documents, and records and reports. Usually, a diagnostic strategy is developed using two or more methods of data collection after their respective strengths and weaknesses have been considered.

Intervention

After the situation is diagnosed, OD interventions or change strategies can be designed and implemented with the help of a change agent. Some of the OD intervention techniques are:

- **Process consultation:** This is concerned with interpersonal relations and functioning of work groups. The OD change agent (i.e., a consultant) observes the group and gives feedback regarding dysfunctions in areas of decision-making, handling conflicts, and communication patterns.
- **Team building:** This technique is used to help work groups become effective at task accomplishment. The OD consultant helps in assessing group tasks, member roles, and strategies for accomplishing work tasks. Team building is viewed by many as an effective OD technique because it emphasizes interactive group behavior processes. Some of the main purposes of team building include (i) setting goals and/or priorities, (ii) examining the way a group is working (processes such as decision-making and communications), (iii) analyzing the way work is performed, and (iv) examining relationships among the people doing the work.
- **Third-party intervention:** Here, OD consultants help the parties concerned to resolve their differences through techniques like problem solving and conciliation.
- **Survey Feedback:** In survey feedback, data gathered through survey questionnaires and/or personal interviews are analyzed, tabulated into understandable form, and shared with those who first supplied the information.

Organizational Change and Organization Development

Example: Training and Development of Employees in IBM

IBM's General Products Division in California tries to integrate training and development with the organizational objectives. Training effectiveness is measured against predetermined objectives.

Educational efforts are focused on skills that are required to do current jobs effectively and also to improve productivity and quality. Managers evaluate the trainees through pretests and interviews. Computer based testing evaluates the readiness of trainees for the job and provides feedback. After the evaluations are analyzed, the problem areas for each trainee are identified and recommendations are made for improvements.

- ***Technostructural activities:*** This technique is used to improve work technology and organization structure. It is intended to help employees evaluate themselves and to make appropriate changes in task design, work methods, and organization structure.
- ***Skill development:*** This technique is used to help employees identify their shortcomings and overcome their deficiencies. It is used to improve performance in areas such as delegation, problem solving, conflict resolution, and leading.
- ***Organizational Culture Change:*** This involves the development of a corporate culture that correlates with organizational strategies and other factors, such as organizational structure. The OD consultant assists in developing methods for determining the current corporate culture, assessing its appropriateness, and planning necessary changes. All these intervention techniques aim at solving current problems and helping individuals and groups acquire the skills necessary for solving future problems.

Evaluation

Since organizational development is directed towards long-term change, OD programs have to be monitored on a regular basis. An accurate evaluation of OD interventions is dependent on the accurate diagnosis of the current situation and the clear identification of the desired results.

Activity: Suppose you are helping with an OD project at your college. What major steps or phases will be involved? What data collection methods will you suggest for the diagnosis step?

Answer:

Staffing

6. Approaches to Manager Development

Koontz and Weihrich defined manager development as “the progress a person makes in learning how to manage.” To facilitate the process of learning, managers are given training. This is referred to as managerial training. After analyzing the needs of an organization, the requirements of the job and the individual needs for the job, an organization can choose any of the two approaches to manager development, i.e., on-the-job training or internal and external training.

On-the-Job Training

In on-the-job training, trainees contribute to the objectives of the enterprise. Some of the important on-the-job training techniques are discussed below:

- ***Planned progression:*** Planned progression identifies the aspects of performance of managers that need to be improved. This gives an indication to the managers about the requirements for advancement and also the means of achieving it.
- ***Job rotation:*** Job rotation broadens the knowledge of managers as they are moved through the various types of jobs in the organization like non-supervisory work, observation assignments, managerial training programs, etc.
- ***Creation of “assistant-to” positions:*** This on-the-job training technique gives a trainee the opportunity to work in coordination with experienced superiors to gain useful insights.
- ***Temporary promotions:*** Employees are sometimes appointed as „acting“ managers when a manager is on vacation, falls ill, is away on a business trip, or when a position is vacant.
- ***Committees and junior boards:*** Committees and junior boards can help a trainee gain experience through interaction with senior managers.
- ***Coaching:*** In this technique, superiors guide the subordinates by developing their strengths and helping them to overcome their weaknesses.

Off-the-Job Training

Manager development programs can either be conducted within the organization or by external agencies such as management associations or educational institutions. Some internal and external training techniques are:

Sensitivity training/T-groups/encounter groups: The main objective of sensitivity training is to gain an insight into an individual's behavior and to analyze it. It is helpful in developing the skills required for diagnosing and understanding group processes.

Organizational Change and Organization Development

Conference programs: In conference programs, experts in various fields are asked to address the trainees and provide necessary inputs to the trainees. Speakers can be either employees of the company or external speakers and the topics can range from the company's history to managerial skills techniques.

University management programs: Managers can attend training programs conducted by universities. These are conducted in the form of courses, workshops, and conferences. Through the university management programs, the managers gain knowledge on theories, principles, and new developments in management.

Readings: This is a self development technique that aims at increasing the knowledge of managers through exposure to current and relevant management literature. For this method to be successful, the training department must develop a list of books that will be useful for managers. Knowledge can be further enhanced by discussing the articles and books with colleagues and senior managers.

Business simulation, experimental exercise and expert systems: Business simulation and experimental exercises are approaches to training and development which became popular after the introduction of micro computers and deals with behavioral exercises like attitudes and values, simulation in the fields of marketing, accounting, decision support system, business policy, and strategic management.

Expert systems are used by managers for making useful decisions. Such systems are subsystems of artificial intelligence systems. Expert systems are increasingly being used to check sales orders in companies.

Check Your Progress

12. Which of the following is a change effort that is planned, focused on an entire organization or a large subsystem, aimed at enhancing organizational effectiveness, and based on planned interventions made with the help of a change agent or third party who is well versed in behavioral sciences?
 - a. Company development
 - b. Organization development
 - c. Functional development
 - d. Planned development
13. _____ refers to management's efforts to increase organization effectiveness by intervention in the organization's processes?
 - a. Planned development
 - b. Functional development
 - c. Company development
 - d. Organization development

Staffing

14. Which of the following is the most commonly used diagnostic tool in the OD process?
 - a. Interviews
 - b. Questionnaires
 - c. Internal documents
 - d. Records and reports
15. Which of the following is not an intervention technique used by organizational development specialists?
 - a. Survey feedback
 - b. Team building
 - c. Third party intervention
 - d. Face-to-face discussions
16. Which of the following is/are the aim(s) of team building techniques in the intervention stage of the organizational development process?
 - a. Setting goals
 - b. Examining the decision-making process
 - c. Examining the communication process
 - d. All the above
17. Which of the following is not a step in the organizational development process?
 - a. Diagnosis
 - b. Interruption
 - c. Intervention
 - d. Evaluation

7. Organizational Conflict

Conflict may occur within the individual, between individuals, between individual and the group, and between groups. A conflict trigger creates interpersonal or inter-group conflict. A conflict trigger can be allowed to continue until it stimulates constructive conflict. But when it moves in the direction of destructive conflict, steps should be taken to correct the conflict trigger.

Sources of Conflict

There are many potential sources of conflict. Some of them are discussed below:

Competition for scarce resources

In an organization, anything of value (funds, personnel, valuable information) can be a competitively sought-after resource. When competition for scarce resources becomes destructive, conflict can be avoided by increasing the resource base.

Organizational Change and Organization Development

Time pressure

Time pressure, like deadlines, can increase the performance of an individual or reduce the performance by triggering destructive emotional reactions. Hence, while imposing deadlines, managers must understand and consider an individual's capacity and ability to meet the set targets.

Unreasonable standards, policies, rules or procedures

When policies, standards, rules, or procedures are unreasonable and unattainable, they lead to dysfunctional conflict between managers and subordinates.

Communication breakdowns

Barriers to communication often provoke conflict. When two-way communication is hampered, it is easy to misunderstand another person or group. Such misunderstandings have a negative impact on employee performance.

Personality clashes

People have different values and different perceptions of issues. It is very difficult to change one's personality on the job. The practical remedy for serious personality clashes is to separate the antagonistic parties by reassigning one or both to a new job. Showing genuine concern for the ideas, feelings, and values of subordinates helps minimize such conflicts.

Ambiguous or overlapping jurisdictions

When job boundaries are not clear, they often create competition for resources and control. A clarification of job boundaries and jurisdictions of various managers helps in preventing conflicts from turning into serious problems.

Unrealized expectations

When expectations are not met, employees feel dissatisfied. Unrealistic expectations can also result in destructive conflict. Open and frank communication with employees can help make people knowledgeable about what they can expect from their organization.

Managing Conflict

Conflict can be managed in different ways. Most conflict resolution techniques either focus on interpersonal relationships or structural changes. Some of the different conflict resolution techniques are described below:

Avoidance

Sometimes even the best managers find themselves in the middle of destructive conflict, whether due to inattention or to circumstances beyond their control. In such situations, they may choose to do nothing and simply avoid the conflict.

Problem solving

In problem solving the two parties involved in the conflict identify and correct the source of their conflict. In this approach, differences are openly confronted and issues are analyzed as objectively as possible. Problem solving encourages

Staffing

managers to focus their attention on causes, factual information, and promising alternatives.

Compromise

A traditional way of coping with conflict is to compromise, i.e., agreeing in part with the other person's point of view. Advocates of the compromise approach say that everyone wins because the approach is based on negotiation. However, most people do not have good negotiating skills. In addition, they approach compromise situations with a win-lose attitude and tend to be disappointed or feel cheated by the compromise arrived at.

Forcing

Another approach to managing conflicts is forcing, or thrusting one's own view on others. This approach is used when time is of the essence and management orders the conflicting parties to handle the situation in a specified manner.

Smoothing

This technique involves emphasizing areas of agreement and common goals and de-emphasizing disagreements. Such an approach may reduce conflict in the short run, but it does not solve the underlying problem. However, smoothing can be useful when management is attempting to hold things together until a critical project is completed or when there is no time for compromise or problem solving and forcing is deemed inappropriate.

Structural change

Conflict can also be addressed by making structural changes. This method involves modification and integration of the objectives of groups with differing viewpoints. The organization structure may have to be changed and authority-responsibility relationships clarified. New methods of coordinating activities may have to be identified.

Check Your Progress

18. In the organizational development process, which of the following intervention techniques aims at helping work groups become effective at task accomplishment?
 - a. Process consultation
 - b. Team building
 - c. Third-party intervention
 - d. Skill development
19. Avoidance, problem solving, structural change, etc. are ways of _____.
 - a. Managing by objectives
 - b. Managing organizational conflict

Organizational Change and Organization Development

- c. Managing organizational change
 - d. Managing organizational culture
20. Which of the following is not a source of organizational conflict?
- a. Time pressure
 - b. Reasonable standards at work
 - c. Competition for scarce resources
 - d. Communication breakdowns

8. Summary

- Change refers to alteration of status quo. Forces that cause organizational change are the nature of workforce, technology, economic factors, and competition. Generally, both individuals and organizations resist change.
- According to Kurt Lewin, organizations should follow three steps to achieve acceptance to change: 1) unfreeze the status quo, 2) move, 3) refreeze the new change.
- Organizational development is a systematic, integrated, and planned approach to improve enterprise effectiveness.
- The OD process consists of three steps: 1) diagnosis, 2) intervention and 3) evaluation.
- There are two major approaches to manager development: 1) on-the-job training and 2) off-the-job training.
- Conflict may occur within the individual, between individuals, between individual and the group, and between groups. A conflict trigger creates interpersonal or inter-group conflict.

9. Glossary

Change Agent: Person who initiates a change within an organization and plays a key role in OD interventions.

Change: Any alteration of the status quo.

Conflict Trigger: Any factor that increases the chances of conflict.

Conflict: A perceived difference between two or more practices that results in mutual opposition.

Expert Systems: Computer-based systems that apply the substantial knowledge of an expert to help solve specialized problems.

Interventions: Organization development change strategies developed and initiated with the help of a change agent.

Staffing

Organizational Development (OD): Effort by management to increase organization effectiveness and health by planned intervention in the organization's processes.

Planned Change: The management function that involves actions based on a carefully thought-out process that anticipates future difficulties, threats, and opportunities.

Restraining Forces: Forces studied in force-field analysis that involve factors that pressure against a change.

Sensitivity Training: Process of group dynamics in laboratory training that influences a T-group participant's behavior.

Strategic Management: A process through which managers formulate and implement strategies so that the organization achieves its strategic goals, in specific environmental and internal conditions.

10. Self-Assessment Test

- 1) Imagine you are the manager of a small manufacturing plant that is facing increasing competition from foreign made products and needs to increase productivity. Design a plan for overcoming the resistance of your employees to changes that have to be made to increase productivity.
- 2) What are the sources of resistance to change? Describe the measures to overcome change.
- 3) Define organization development. Define the objectives of OD.
- 4) Describe the process of organization development.
- 5) Briefly explain the techniques of on-the-job training and off-the-job training.
- 6) Describe the sources of organizational conflict.

11. Suggested Readings/Reference Material

- Chapter 15: Managing Change through Manager and Organization Development, Harold Koontz and Heinz Weihrich. *Management: A Global Perspective*. Tenth edition. Singapore: McGraw-Hill, 1994.
- Chapter 7: Managing Innovation and Change, Kathryn M. Bartol and David C. Martin. *Management*. Third edition. USA: Irwin McGraw-Hill, 1998.
- Chapter 7: Organization Change and Innovation, Ricky W. Griffin. *Fundamentals of Management: Core Concepts and Applications*. First Indian edition. Chennai: All India Publishers & Distributors Regd, 2000.
- "Overview of Organizational Change"
<http://www.mapnp.org/library/org_chng/org_chng.htm>

Organizational Change and Organization Development

- “Organizational Planning”
<www.cpcwnc.org/Toolbox/orgplanning.html>
- “Simple Steps to Effective Organizational Planning”
<www.thealliancenys.org/capacity/articles/MarthaPlanningArticle.pdf>

12. Model Answers

12.1 Model Answers to Check Your Progress Questions

Following are the model answers to the Check Your Progress questions given in the Unit.

1. (b) Planned

Planned change aims at preparing the entire or major part of an organization to adapt to significant changes in the organization's goals and direction.

2. (b) Group inertia

The norms of a group act as a constraint even when individuals are willing to accept change. Therefore, group inertia is a source of organizational resistance to change. Education and communication, participation and involvement, negotiation and agreement are measures to overcome resistance to change.

3. (c) Structural inertia

Individual resistance to change occurs due to differing perceptions, personalities and needs. Some of the reasons for an individual's resistance to change are security, economic factors and selective information processing. However, structural inertia to expertise is a reason for organizational resistance.

4. (d) Economic

An economic downturn can affect an industry and its workforce and may necessitate organizational change.

5. (d) Education and communication

In the education and communication strategy, adequate information is provided to ensure that the change is clearly communicated to those it will affect.

6. (b) Negotiation and agreement

Negotiation and agreement is an easy way to avoid major resistance to change. However, this might involve high costs because once management negotiates with one group to avoid resistance, it is open to the possibility of being threatened by other individuals seeking some advantage.

Staffing

7. (d) Decrease driving forces moving away from the status quo

Unfreezing can be done by increasing driving forces moving away from the status quo, reducing restraining forces that hamper status quo, and by combining increasing driving forces and decreasing restraining forces. Driving forces moving away from the status quo should be increased and not decreased.

8. (a) Stabilize

In the refreezing stage, the new behavior pattern is locked in by means of supporting or reinforcing mechanism, so that it becomes the new norm.

9. (c) Kurt Lewin

According to Lewin's three step model of change, organization should change the existing situation (unfreeze), discovering and adopting new attitudes, values, and behaviors (move), and finally make the revised behavior the new norm (refreeze).

10. (a) State of equilibrium

Moving away from the equilibrium means to unfreeze or change the existing situation by overcoming individual and group resistance to change.

11. (b) Refreezing

This is the third stage in the change process. At this stage, the new behavior pattern is locked in by means of supporting or reinforcing mechanism. Unless this last step is taken, there is a very high chance that the change will be short-lived and that employees will attempt to revert to the previous equilibrium state.

12. (b) Organization development

Organizational development (OD) is systematic, integrated, and planned approach to improving organizational effectiveness. It is based on planned interventions made with the help of a change agent or third party who has experience in behavioral sciences.

13. (d) Organization development

Organizational development is a systematic, integrated, and planned approach to improve enterprise effectiveness.

14. (b) Questionnaires

The OD process starts with a diagnosis of the present situation in an organization. Change agents collect data about the current situation through interviews, questionnaires, and internal documents. Questionnaires are the most commonly used diagnostic tools.

Organizational Change and Organization Development

15. (d) Face-to-face discussions

After diagnosing a situation, change strategies or interventions are designed with the help of a change agent. In the organizational development process, an intervention is a systematic attempt to correct an organizational deficiency uncovered through diagnosis. Survey feedback, team building, and third party intervention are some of the intervention techniques used in the organizational development process. Face-to-face discussions are not intervention techniques.

16. (d) All the above

Team building helps work groups become effective in task accomplishment and focuses on interactive group behavior processes. Team building techniques aim at setting goals, examining decision-making and communication processes and analyzing ways of improving work performance.

17. (b) Interruption

Diagnosis, intervention and evaluation are the three steps in the organizational development process. Interruption is not a step in the OD process.

18. (b) Team building

Team building helps work groups become effective in task accomplishment and focuses on interactive group behavior processes. It includes OD consultant feedback in areas such as conflict and resolution. It also involves taking the help of OD consultants in assessing group tasks, member roles and strategies for accomplishing work tasks.

19. (b) Managing organizational conflict

Conflict is managed in different ways. Some of the techniques in conflict resolution are avoidance, problem solving, structural change, compromise, forcing and smoothing.

20. (b) Reasonable standards at work

Conflict may occur between individuals, within the individual, between the individual and the group, and between groups. The sources of conflict are competition for scarce resources, time pressure, and unreasonable standards, policies, rules or procedures, etc. Reasonable standards at work are not a source of conflict.

Principles of Management

Course Components

BLOCK I	Introduction to Management
Unit 1	Management: An Overview
Unit 2	Evolution of Management Thought
Unit 3	Social and Ethical Responsibilities of Management
BLOCK II	Planning
Unit 4	Fundamentals of Planning
Unit 5	Management by Objectives
Unit 6	Strategies, Policies and Planning Premises
Unit 7	Managerial Decision Making
BLOCK III	Organizing
Unit 8	Fundamentals of Organizing
Unit 9	Strategic Organization Design
Unit 10	Strategic Organization Structure
Unit 11	Effective Organizing and Organizational Culture
BLOCK IV	Staffing
Unit 12	Human Resource Management and Staffing
Unit 13	Performance Appraisal and Career Strategy
Unit 14	Organizational Change and Organization Development
BLOCK V	Leading
Unit 15	Managing and the Human Factor
Unit 16	Motivating Employees for Job Performance
Unit 17	Leadership
Unit 18	Managing Communications
BLOCK VI	Controlling
Unit 19	The Control Function
Unit 20	Control Techniques
Unit 21	Productivity and Operations Management
Unit 22	Management Information Systems