Organizing

Unit III

Part one: introduction

1.1 Meaning of organization

1.2 Process of Organization

1.3 Principles of Organization

Organizing

Organizing is the process of arranging and allocating work, authority, and resources among an organization's members so that they can achieve organizational goal.

– Stoner, Freeman and Gilbert

An organization is a collection of people working together in a coordinated and structured fashion to achieve one or more goals.

FUNDAMENTAL CONCEPT OF ORGANIZING:

- ➤ Differentiation:
- ➤ Integration:.

Nature Of Organizing:

1. Group of Persons
2. Common Objectives
3. Division of Work
4. Cooperative Efforts

5. Communication
6. Central Authority
7. Rules & Regulations
8. Dynamic Element

NATURE OF ORGANIZATION

1. Group of Persons:
2. Common Objectives:
3. Division of Work
4. Cooperative Efforts
5. Communication
6. Central Authority
7. Rules and Regulations

Organizing

- **Activities:**
  - Identification of activities
  - Grouping of Activities
  - Assignment of jobs to formal groups
  - Establishing a network of authority and responsibility
  - Providing framework for measurement, evaluation and control

- **Resources:**
  - Determining the specific need of resources
  - Allocation of resources into specific groups
  - Evaluation and control of use of the resources
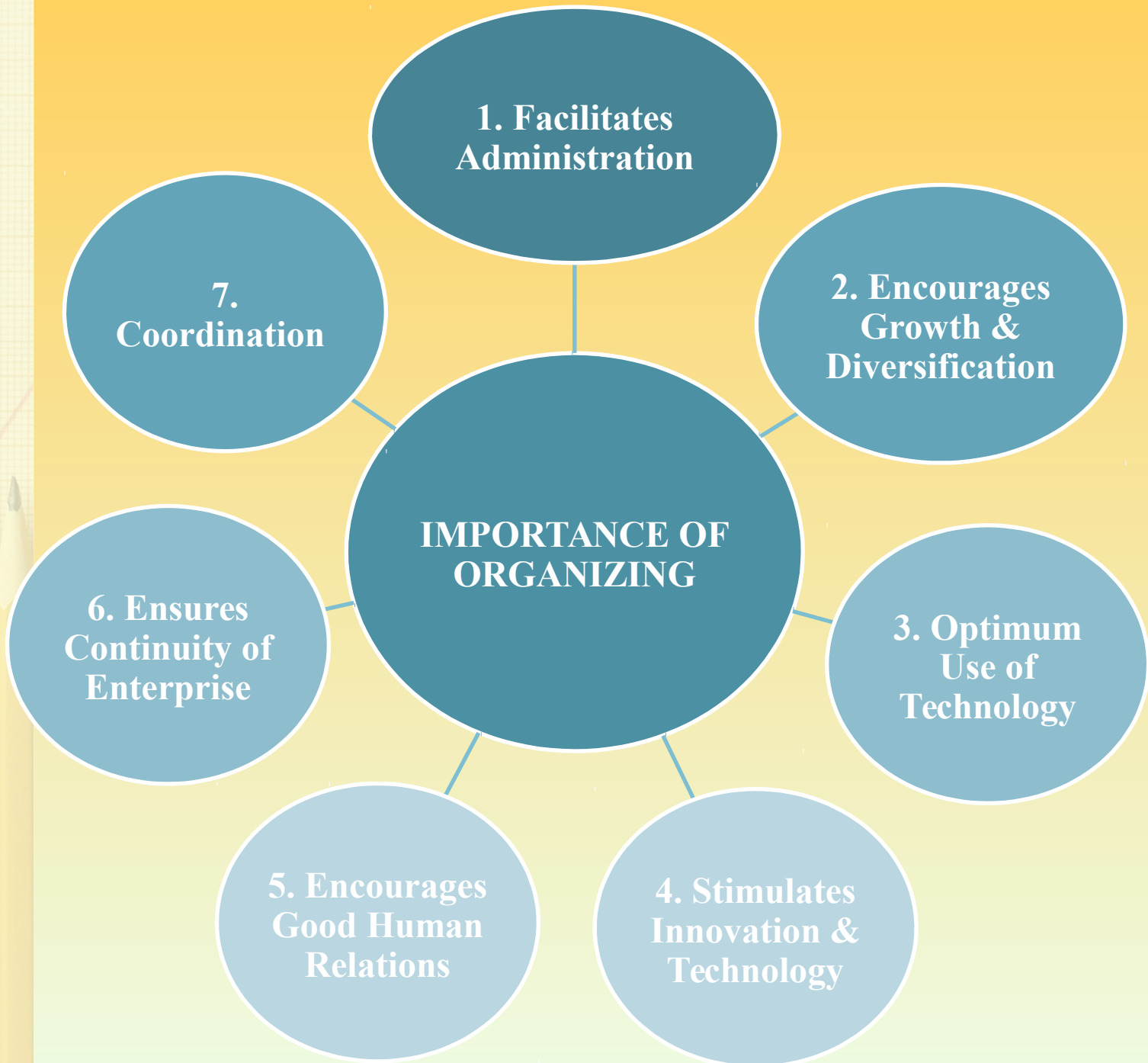
Process of Organizing

- Division of Work
- Grouping of Work
- Delegation of Authority
- Coordination of Work

Principles of Organizing

1. Unity of Objective

2. Specialization

3. Coordination

4. Authority and

   Responsibility

5. Unity of Command

6. Scalar Chain

7. Span of Control

8. Efficiency

9. Balance

10. Homogeneity

11. Continuity

12. Simplicity

Relation between Authority and Responsibility

- **Authority** is the power to give orders and get it obeyed or in other words it is the power to take decisions.

- **Responsibility** means state of being accountable or answerable for any obligation, trust, debt or something or in other words it means obligation to complete a job assigned on time and in best way.

Tall Versus Flat Organizations

Tall Organization

President

Flat Organization

President
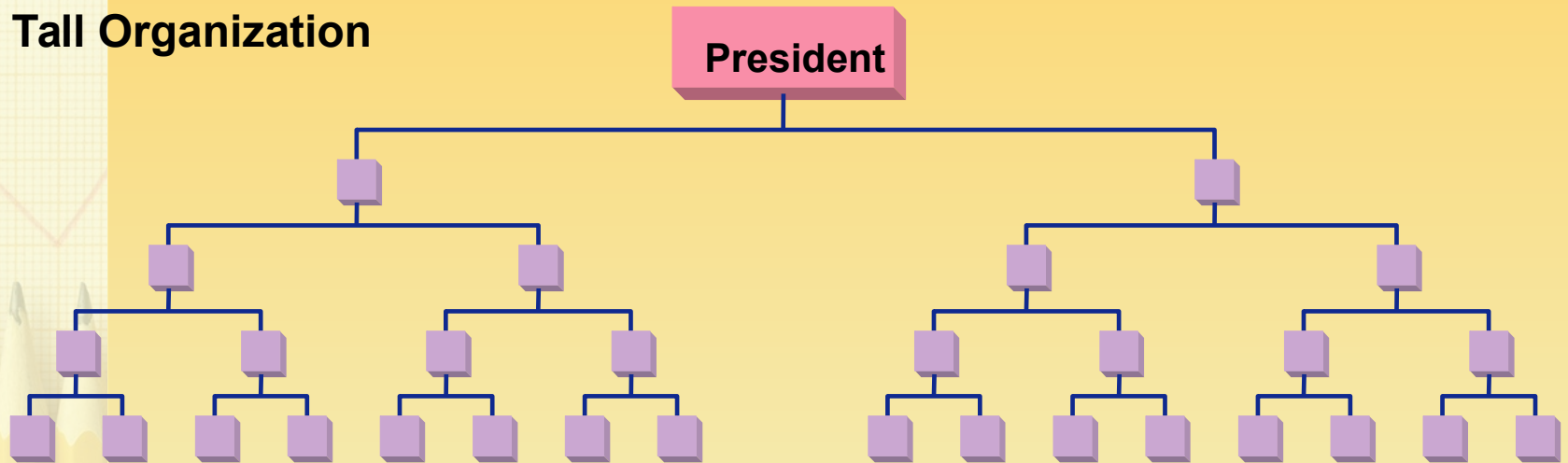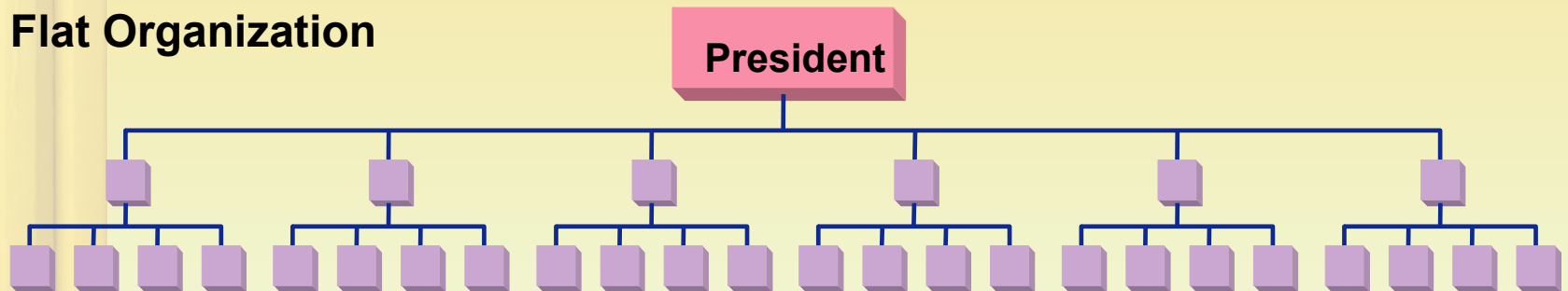
Organizational architecture - Vertical integration

Tall Organization:

This type of organizational architecture has many layers and narrow span of control.

Flat organization:

This type of organizational architecture has few layers and wide span of control.

Establishing Reporting Relationships:
Tall Versus Flat Organizations

Flat Organizations

- – Lead to higher levels of employee morale and productivity.
- – Create more administrative responsibility for the relatively few managers.
- – Create more supervisory responsibility for managers due to wider spans of control.

Tall Organizations

- – Are more expensive because of the number of managers involved.
- – Foster more communication problems because of the number of people through whom information must pass.
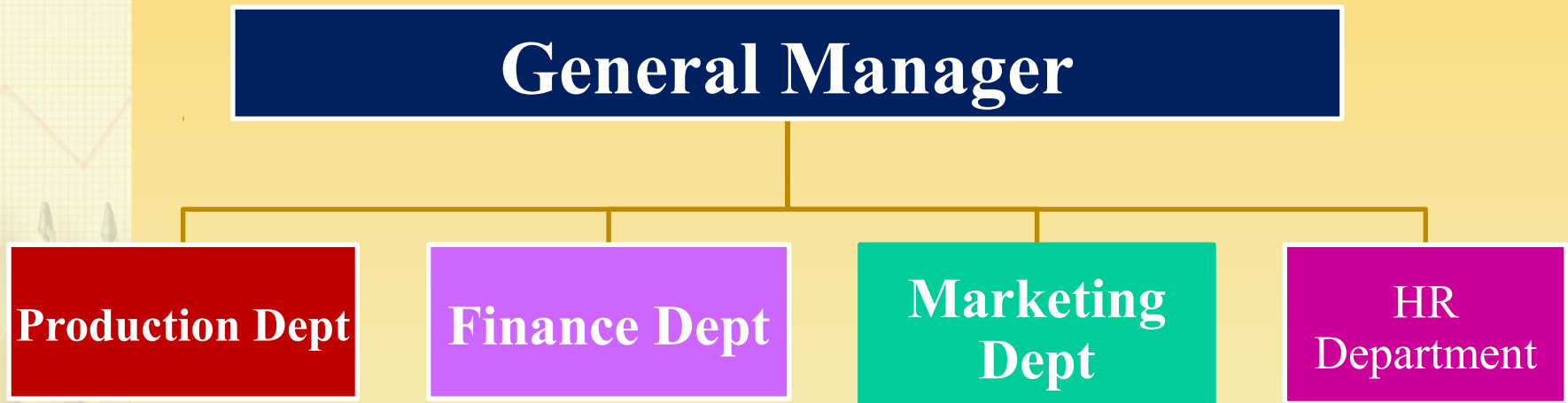
Departmentalization

- **Departmentalization** is an aspect of organizational design that includes the subdivision of a business into units based on their function or other criteria. Most companies, including restaurants, are likely to use two or more types of **departmentalization** simultaneously.
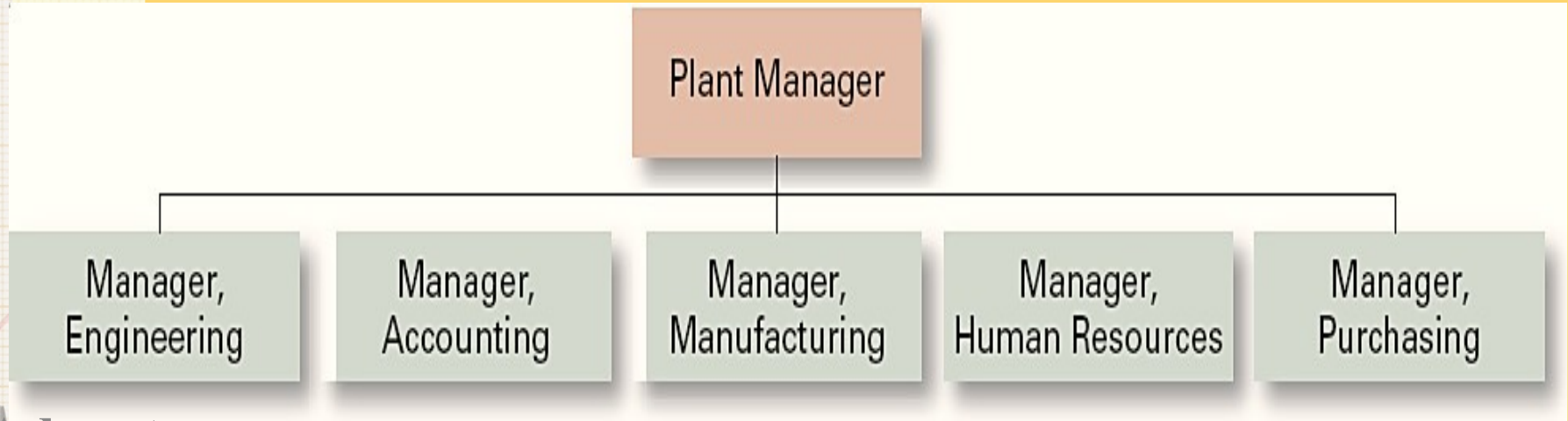
Departmentalization by Type

- Functional
  - Grouping jobs by functions performed
- Product
  - Grouping jobs by product line
- Geographical
  - Grouping jobs on the basis of territory or geography

- Process
  - Grouping jobs on the basis of product or customer flow
- Customer
  - Grouping jobs by type of customer and needs

1. Functional structure:

```
                    ┌─────────────────────────┐
                    │     General Manager      │
                    └─────────────────────────┘
          ┌──────────────┬──────────┴──────────┬──────────────┐
┌─────────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐
│ Production Dept │ │ Finance Dept │ │  Marketing   │ │      HR      │
│                 │ │              │ │    Dept      │ │  Department  │
└─────────────────┘ └──────────────┘ └──────────────┘ └──────────────┘
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Structure is created based on the various functions of an organization.

2. Multi-Division structure

Plant Manager

| Manager, Engineering | Manager, Accounting | Manager, Manufacturing | Manager, Human Resources | Manager, Purchasing |

Advantages

- Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
- Coordination within functional area
- In-depth specialization

Disadvantages

- Poor communication across functional areas
- Limited view of organizational goals

- **Divisional or M-form (Multidivisional) Design**
  - An organizational arrangement based on multiple businesses in related areas operating within a larger organizational framework; following a strategy of related diversification.
  - Activities are decentralized down to the divisional level; others are centralized at the corporate level.
  - The largest advantages of the M-form design are the opportunities for coordination and sharing of resources.
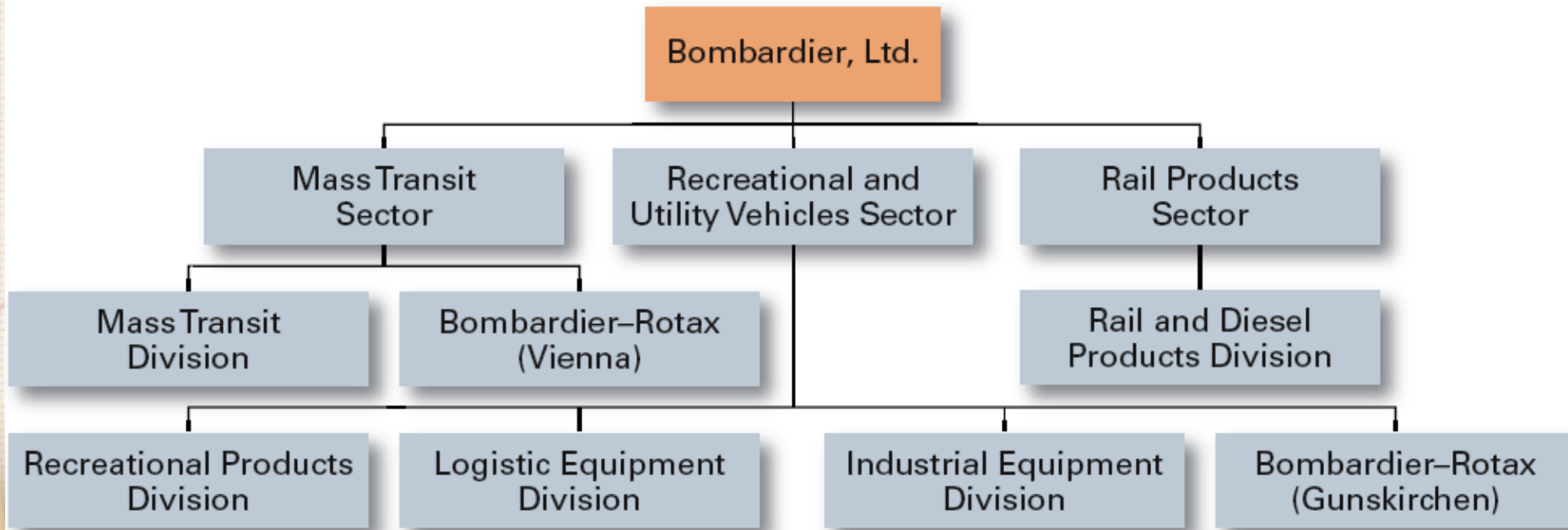
Geographical Departmentalization
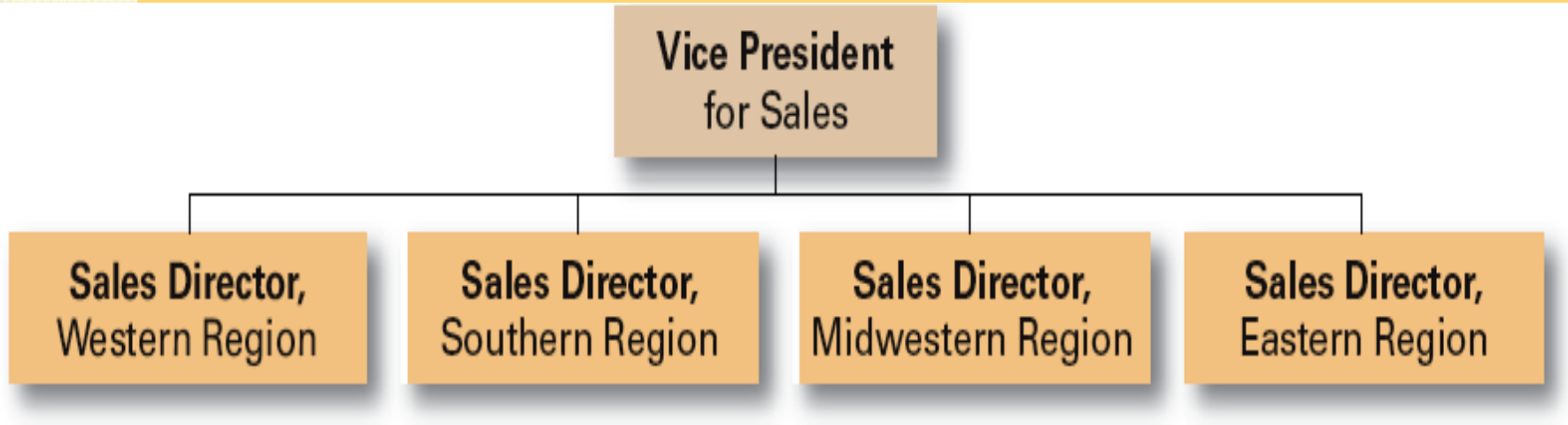
- **Advantages**
  - More effective and efficient handling of specific regional issues that arise
  - Serve needs of unique geographic markets better
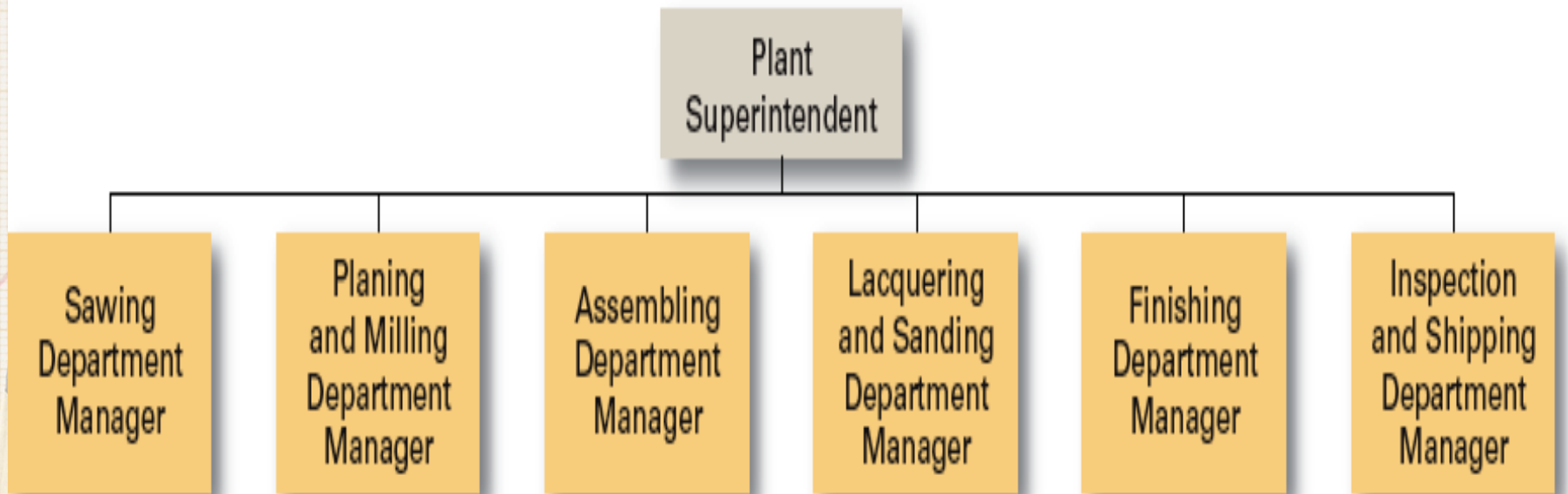- **Disadvantages**
  - Duplication of functions
 - Can feel isolated from other organizational areas

Product Departmentalization

+ Allows specialization in particular products and services
+ Managers can become experts in their industry
+ Closer to customers
– Duplication of functions
– Limited view of organizational goals

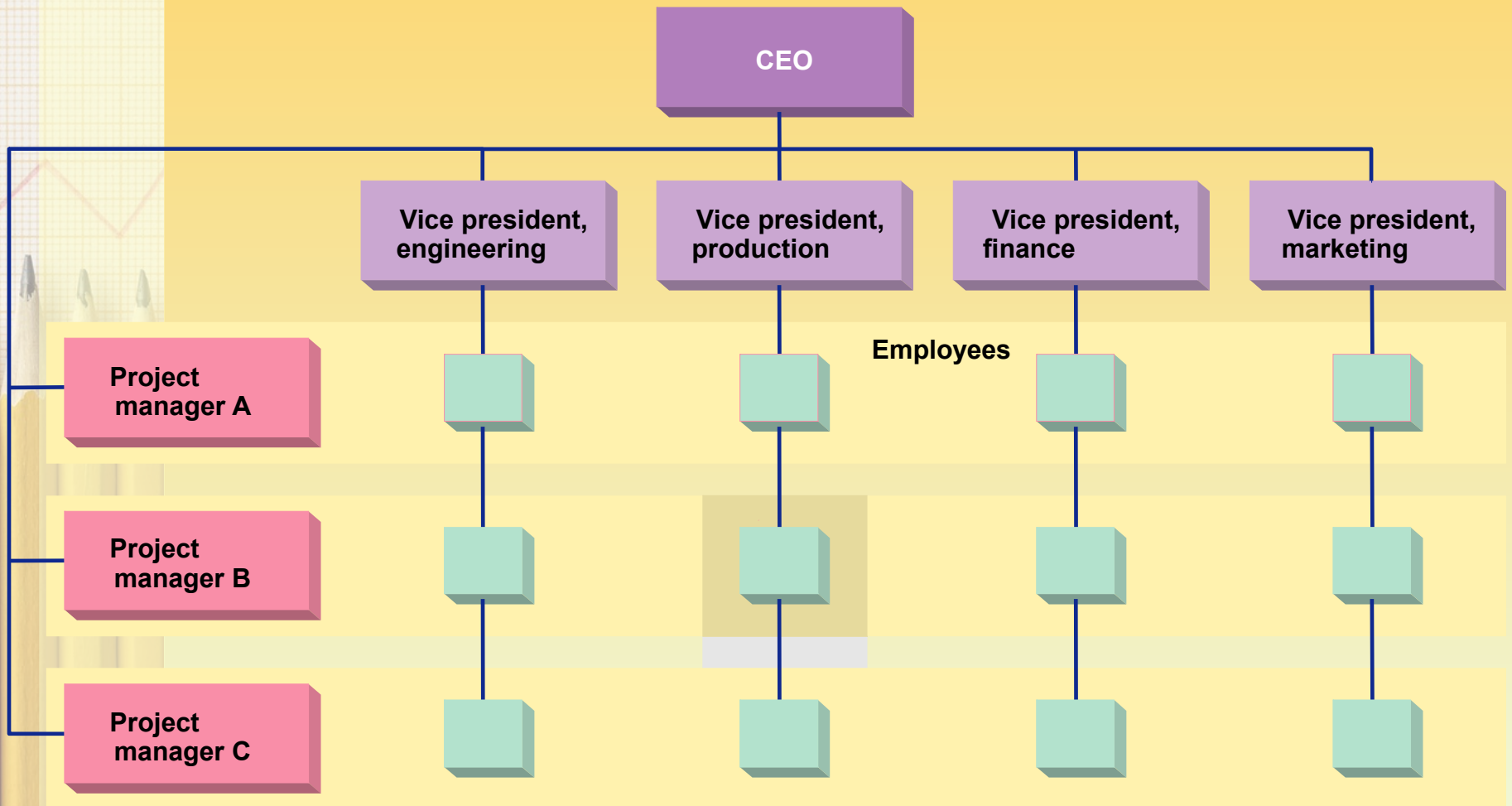## Process Departmentalization

+ More efficient flow of work activities
– Can only be used with certain types of products

Customer Departmentalization
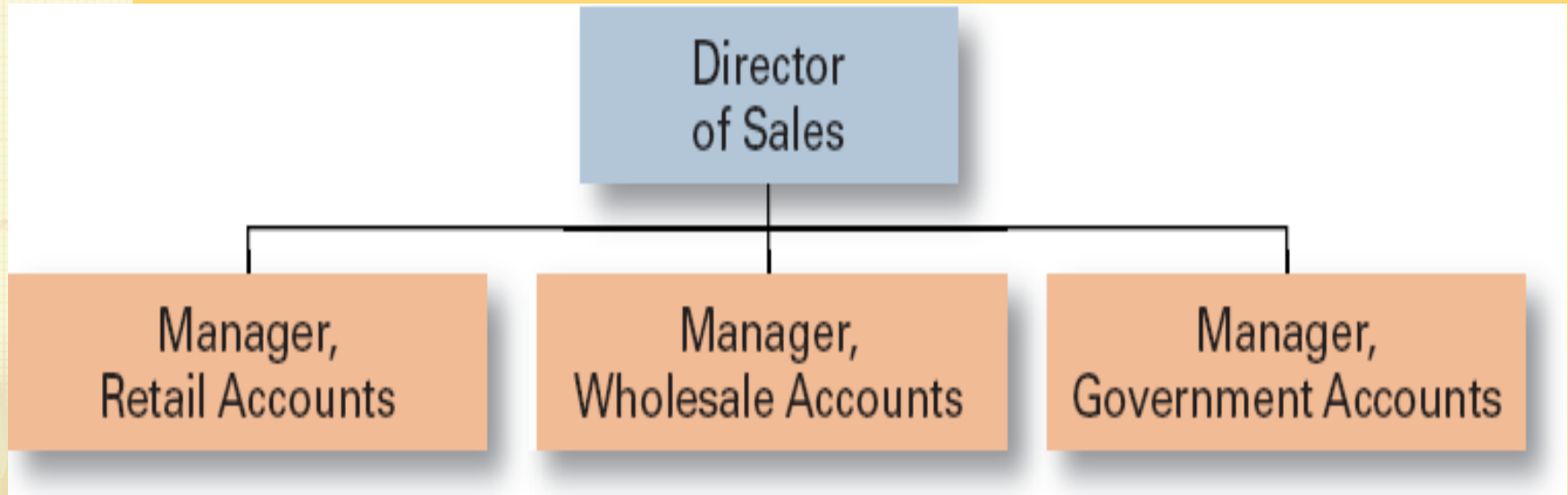
+ Customers' needs and problems can be met by specialists

- Duplication of functions

- Limited view of organizational goals

4. Matrix Organization

Matrix Structure:

Advantages:

– Enhances organizational flexibility.

– Team members have the opportunity to learn new skills.

– Provides an efficient way for the organization to use its human resources.

– Team members serve as bridges to their departments for the team.

Disadvantages:

– Employees are uncertain about reporting relationships.

– The dynamics of group behavior may lead to slower decision making, one-person domination, compromise decisions, or a loss of focus.

– More time may be required for coordinating task-related activities.

Defining Organizational Structure

Organizational Structure

- The formal arrangement of jobs within an organization.

Organizational Design

- A process involving decisions about six key elements:
  - Work specialization
  - Departmentalization
  - Chain of command
  - Span of control
  - Centralization and decentralization
  - Formalization

Organizational Architecture

1. Vertical differentiation
   - Tall versus Flat Structure

2. Horizontal differentiation
   - Functional Structure
   - Multidivisional Structure
   - Geographic Structure
   - Matrix Structure

Organization Structure

Centralization

- The degree to which decision-making is concentrated at a single point in the organizations.
  - Organizations in which top managers make all the decisions and lower-level employees simply carry out those orders.

Decentralization

- Organizations in which decision-making is pushed down to the managers who are closest to the action.

Employee Empowerment

- Increasing the decision-making authority (power) of employees.

Formalization

The degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.

- Highly formalized jobs offer little discretion over what is to be done.
- Low formalization means fewer constraints on how employees do their work.

Organizational Design Decisions

Mechanistic Organization

- A rigid and tightly controlled structure
  - High specialization
  - Rigid departmentalization
  - Narrow spans of control
  - High formalization
  - Limited information network (downward)
  - Low decision participation

Organic Organization

- Highly flexible and adaptable structure
  - Non-standardized jobs
  - Fluid team-based structure
  - Little direct supervision
  - Minimal formal rules
  - Open communication network
  - Empowered employees

Contingency Factors

Structural decisions are influenced by:

- Overall strategy of the organization
- Size of the organization
- Technology use by the organization
- Degree of environmental uncertainty

Common Organizational Designs

Traditional Designs

- **Simple structure**
  - Low departmentalization, wide spans of control, centralized authority, little formalization

- **Functional structure**
  - Departmentalization by function
    - Operations, finance, human resources, and product research and development

- **Divisional structure**
  - Composed of separate business units or divisions with limited autonomy under the coordination and control the parent corporation.

Contemporary Organizational Designs

Team Structure

- What it is: A structure in which the entire organization is made up of work groups or teams.

- Advantages: Employees are more involved and empowered. Reduced barriers among functional areas.

- Disadvantages: No clear chain of command. Pressure on teams to perform.

Matrix-Project Structure

What it is: A structure that assigns specialists from different functional areas to work on projects but who return to their areas when the project is completed. Project is a structure in which employees continuously work on projects. As one project is completed, employees move on to the next project.

- Advantages: Fluid and flexible design that can respond to environmental changes. Faster decision making.

- Disadvantages: Complexity of assigning people to projects. Task and personality conflicts.

Boundary-less Structure

- What it is: A structure that is not defined by or limited to artificial horizontal, vertical, or external boundaries; includes virtual and network types of organizations.

- Advantages: Highly flexible and responsive. Draws on talent wherever it's found..

- Disadvantages: Lack of control. Communication difficulties..

An Example of a Matrix Organization
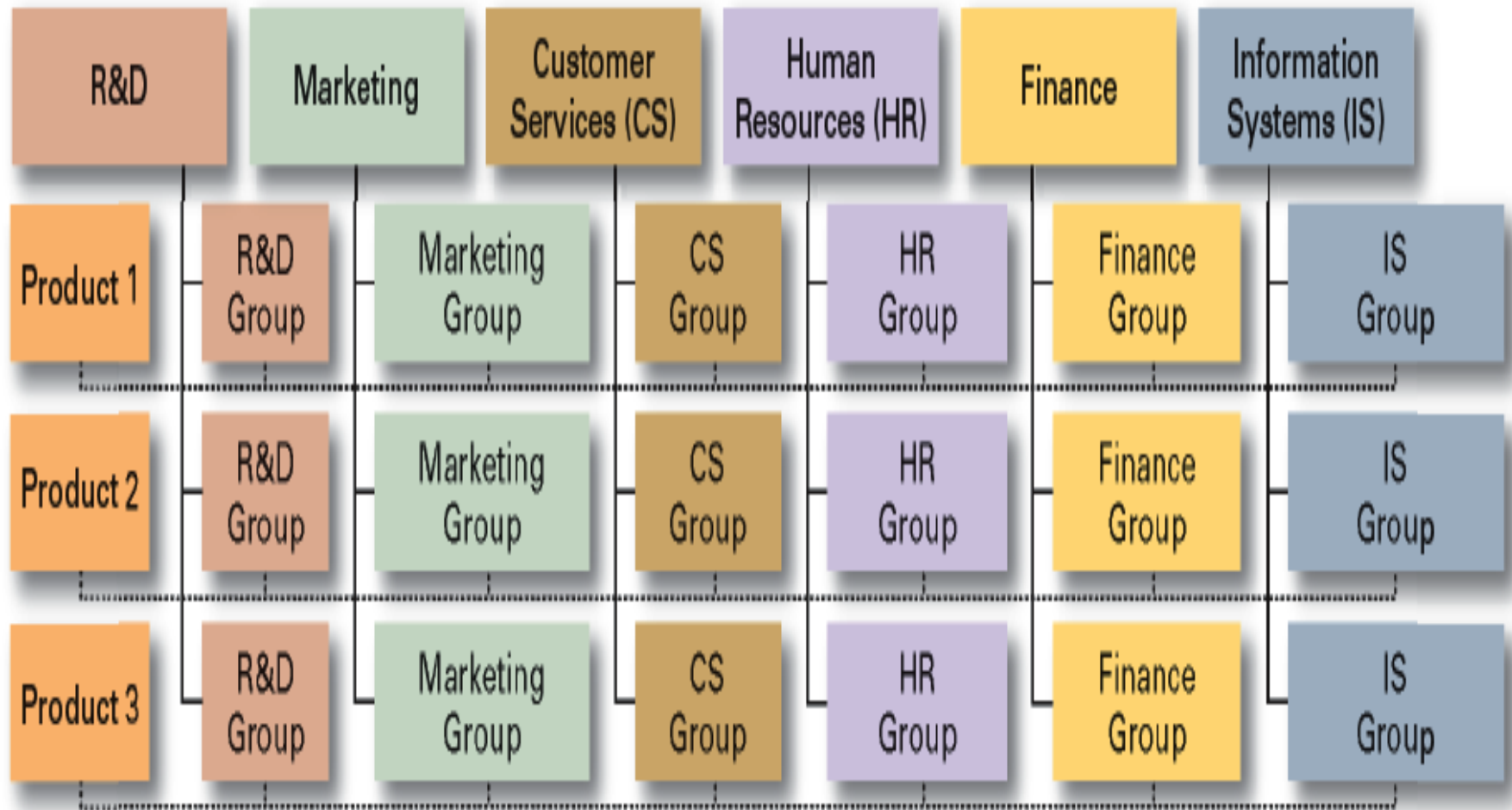
Removing External Boundaries

- **Virtual Organization**
  - An organization that consists of a small core of full-time employees and that temporarily hires specialists to work on opportunities that arise.

- **Network Organization**
  - A small core organization that outsources its major business functions (e.g., manufacturing) in order to concentrate what it does best.

- **Modular Organization**
  - A manufacturing organization that uses outside suppliers to provide product components for its final assembly operations.

Chain of Command

The continuous line of authority that extends from upper levels of an organization to the lowest levels of the organization and clarifies who reports to who.

Organization Structure

- **Authority**
  - The rights inherent in a managerial position to tell people what to do and to expect them to do it.

- **Responsibility**
  - The obligation or expectation to perform.

- **Unity of Command**
  - The concept that a person should have one boss and should report only to that person.

Span of Control

- The number of employees who can be effectively and efficiently supervised by a manager.

- **Width of span is affected by:**
  - Skills and abilities of the manager
  - Employee characteristics
  - Characteristics of the work being done
  - Similarity of tasks
  - Complexity of tasks
  - Physical proximity of subordinates
  - Standardization of tasks

Calculating Spans of Control

Members at Each Level

Organizational Level	(Highest) Assuming Span of 4	Assuming Span of 8
	1	1
2	4	8
	16	64
4	64	512
	256	4,096
6	1,024	
	4,096	
(Lowest)		

Span of 4:
Employees: = 4,096
Managers (level 1–6) = 1,365

Span of 8:
Employees: = 4,096
Managers (level 1–4) =   585

Responsibility

3.1 Meaning of Responsibility

3.2 Establishing Task and Reporting Relationships

3.3 Creating Accountability

- Responsibility is the obligation to perform or duty to carryout certain activities

- Each individual in the organization is assigned with some activities, for theses activities responsibility lies with him /her.

Establishing Task and reporting relationship:

- **Task Relationship:**
  - How activities related to each other in an organization.
  - How the basic units of an organization are formed.
  - Establishment of job description and job specification
    - Job Specification: Prerequisites of job. Various skills and experiences needed to perform certain job.
    - Job Description: The activities that have to be carried out at certain position in a job. It describes the job.

Establishing Task and reporting relationship:

- Establishing Reporting Relationship:
  - It is finding out
    - **Chain of command** The continuous line of authority that extends from upper level of organization to lowest level of organization and clarifies who reports to whom.
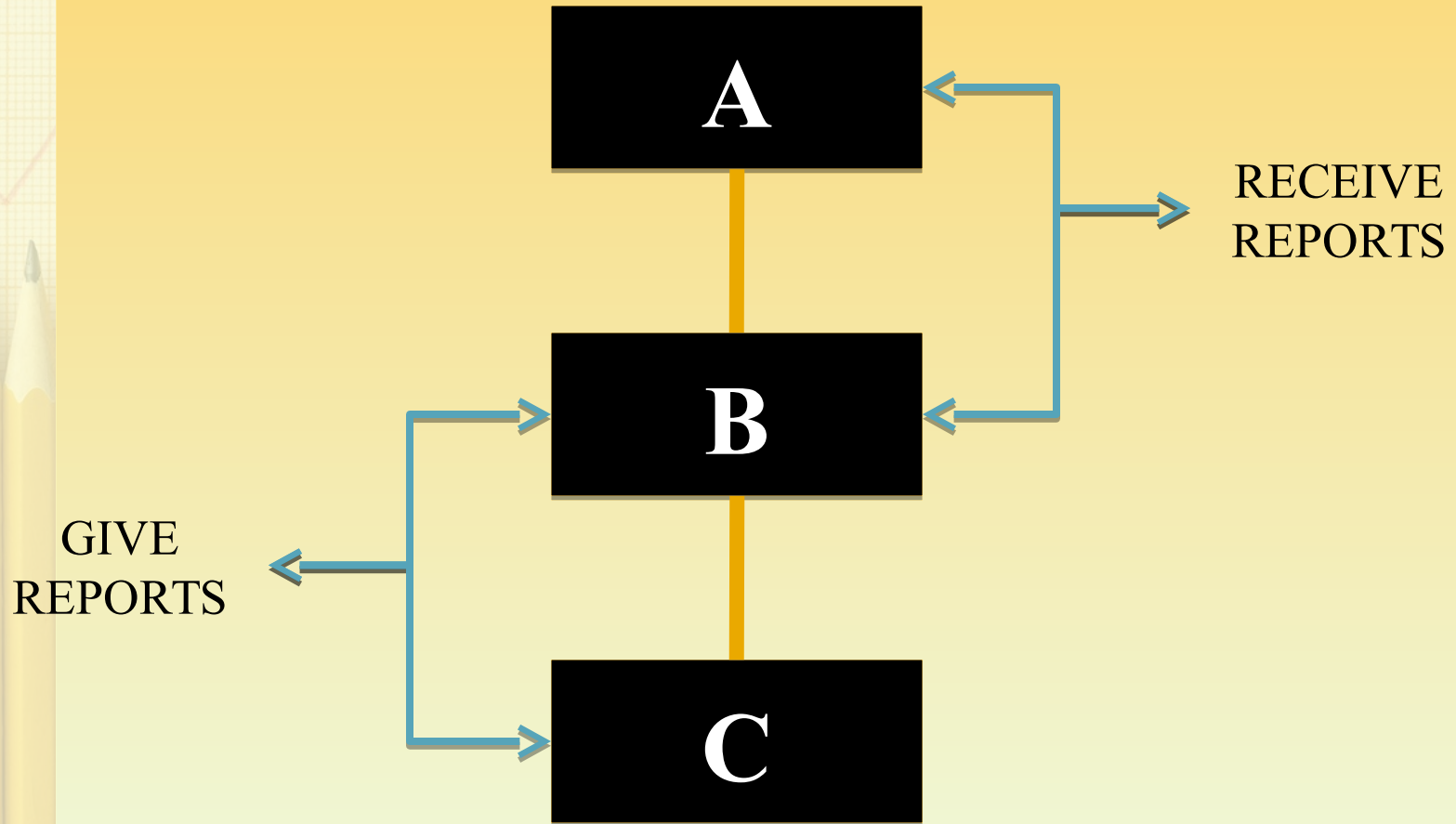   - Span of control or span of management

Unity of Command

Superior

Subordinate

Chain of Command

A

B

C

RECEIVE
REPORTS

GIVE
REPORTS

LINE AUTHORITY:

- The most fundamental authority within an organization, reflects existing superior-subordinate relationships. It consists of the right to make decisions and to give order concerning the production, sales or finance related behavior of subordinates.

- In general, line authority pertains to matters directly involving management system production, sales, finance etc., and as a result with the attainment of objectives.

- People directly responsible for these areas within the organization are delegated line authority to assist them in performing their obligatory activities.

Chain of Command: Authority
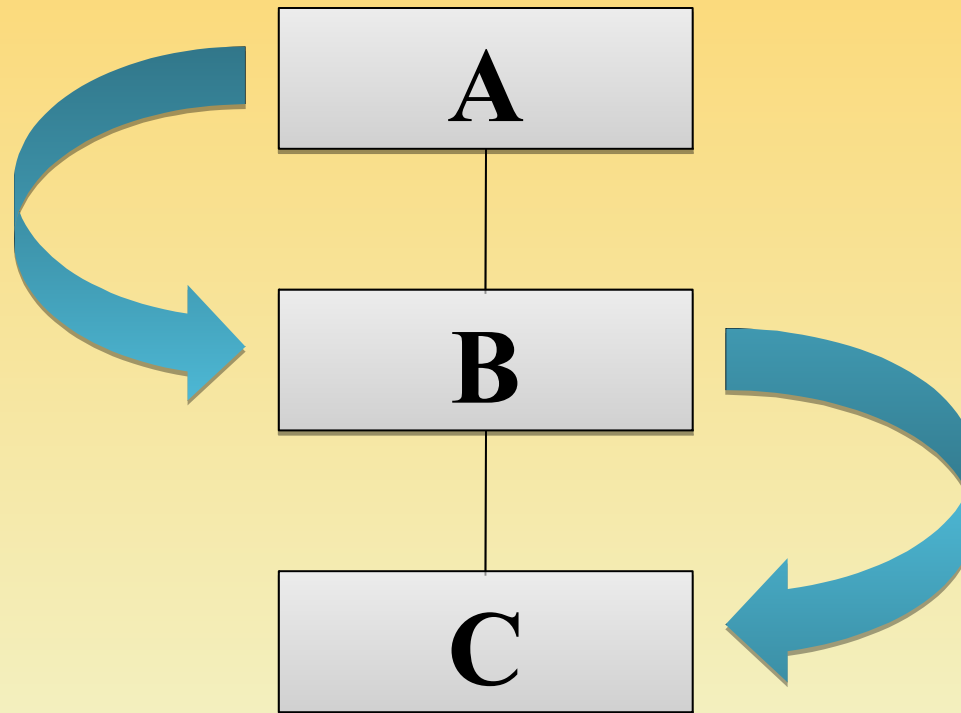
LINE AUTHORITY

STAFF AUTHORITY

- Staff authority consists of the right to advise or assist those who possess line authority as well as other staff personnel.

- Staff authority enables those responsible for improving the effectiveness of line personnel to perform their required tasks.

- size is perhaps the most significant factor in determining whether or not an organization will have staff personnel. The larger the organization, the greater the need and ability to employ staff personnel.

- As an organization expands, it usually needs employees with expertise in diversified areas

Chain of Command: Authority
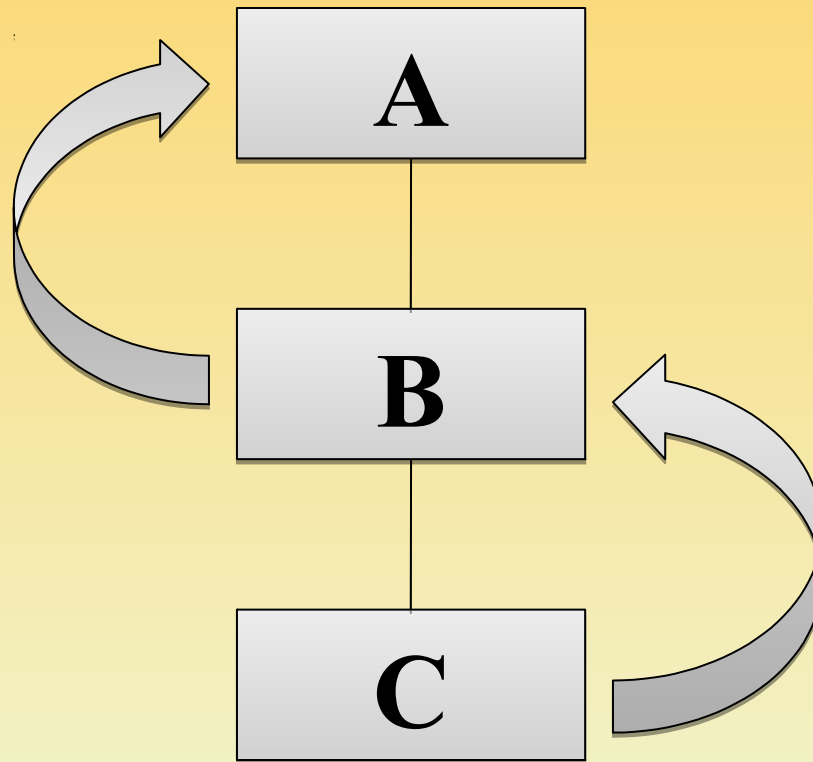
STAFF AUTHORITY

FUNCTIONAL AUTHORITY

- Functional authority consists of the right to give orders within a segment of the organization in which this right is normally non existent.

- This authority is usually assigned to individuals to complement the line or staff authority they already possess.

- Functional Authority generally covers only specific task areas and is operational only for designated amounts of time. It is given to individuals who, in order to meet responsibilities in their own areas, must be able to exercise some control over organization members in other areas.

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Chain of Command: Authority
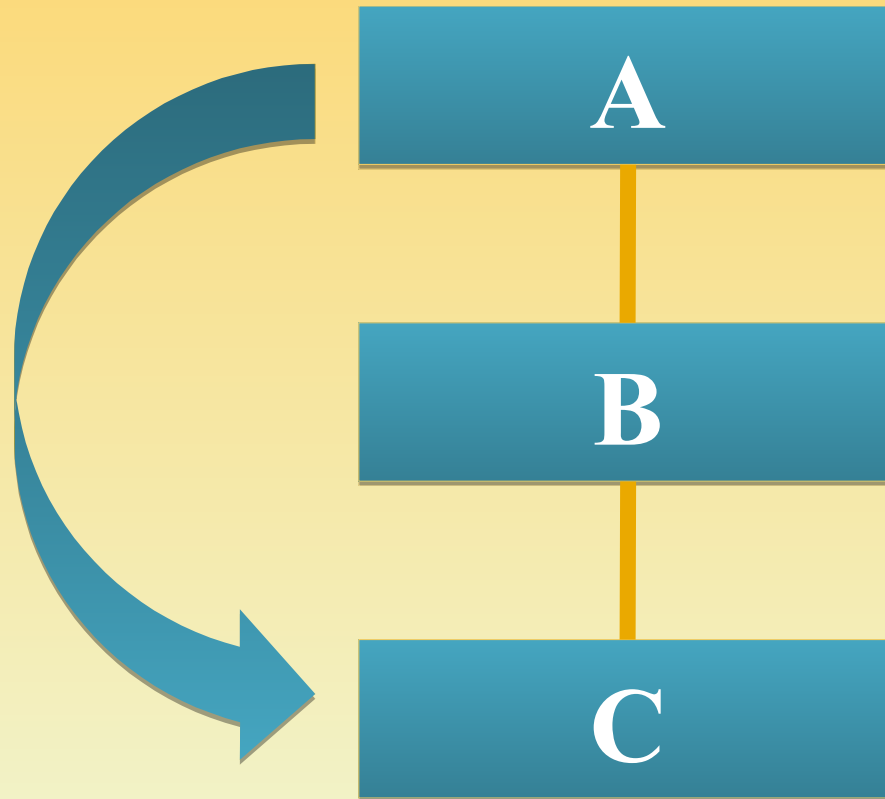
FUNCTIONAL AUTHORITY

Authority

4.1 Line and Staff Authority

4.2 Delegation of Authority

Authority

- Right to take decisions that arises due to position in organizational structure.

- Authority is the right to perform or command. It allows its holder to act in certain designated ways and to directly influence the actions of others through orders.

- Types of Authority:
    - Line Authority
    - Staff Authority

Line Authority

- The chain of command in the organizational structure that flows major decision making power.

- The officially sanctioned ability to issue orders to subordinate employees within an organization.

Staff authority

- Staff authority consists of the right to advise or assist those who possess line authority as well as other staff personnel.

- The Advisory or Counseling Role :
- The Service Role
- The Control Role

Delegation of authority

- Assigning work to subordinates and giving them necessary authority to do the assigned work effectively.

- Simple terms,
- Granting Authority To Subordinates

Conflict between line – staff employees

- Assume Line Authority
- Do not give Sound Advice
- Steal Credit for Success
- Fail to Keep line personnel informed of their activities
- Do not see the whole picture.

DIRECTING

Unit No - III

Definition

- "Directing consists of the process and techniques of issuing instruction and making certain that operations are carried on as originally planned "

- **Haimann**

- Direction is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively to attainment of enterprise objectives

O'Donnel

IMPORTANCE OF DIRECTION

1. Action is initiated
2. Organizational goals are achieved
3. Efficiency is ensured
4. Better human relations are achieved
5. Changes are facilitated
6. Direction provides stability and balance in the organization

Elements of Directing

✓ Leadership
✓ Communication
✓ Delegation
✓ Decision Making
✓ Policies and Procedures
✓ Supervision
✓ Coordination
✓ Motivation
✓ Staff Development
✓ Conflict Management

Principles

- Harmony of objectives:
- Maximum individual contribution:
- Unity Of direction Or Command
- Efficiency

Issuing orders and instruction

- Order is use by management as a tool for direction
- Techniques of Direction
  - Consultative Direction
  - Free-rein Direction
  - Autocratic Direction

SUPERVISION

❖ It means overseeing the subordinates at work

❖ All levels of managers are generally engaged in some contact with the subordinates.

❖ The lowest level managers have as their primary duty the supervision of workers in basic operations.

❖ Supervision consist primarily of instructing, guiding and inspiring human-beings towards better performance.

❖ For Effective directing, a supervisor has to rely on:

    a)   Leadership

    b)   Motivation

    c)   Communication

Differences between Direction / Supervising

Directing (Wide)	Supervising (Narrow)
▪ It include motivation, communication, supervision, training & leadership.	▪ It is only one of the elements of direction.
▪ Direction is generally at top level.	▪ It is restricted to the lower level management.
▪ Generally, direction is related to supervision which is the intermediate link between the workers and management	▪ He has to deal, guide and lead workers directly under his commands.
▪ Direction being at the top level, formulates polices and takes important decision.	▪ Supervision at lower level only for implementation.
▪ Financial & non financial incentives.	▪ It cannot provide incentives but if can only recommend rewards in special case.
▪ Leads the efforts of medium and lower Level executives.	▪ Efforts of employee under his commands.

Motivation

Performance = ability X Motivation

Motivation means a process of stimulating people to action to accomplish desired goal

The act or process of stimulating to action, providing an incentive or motive, especially for an act.

IMPORTANCE

1. High performance level
2. Low Employee Turnover and Absenteeism
3. Acceptance of Organisational changes

Content Theories of Motivation

Maslow's Need Hierarchy	Alderfer's ERG Theory	Herzberg's Theory	McClelland's Learned Needs
Self-Actualization	Growth	Motivators	Need for Achievement
Esteem			Need for Power
Belongingness	Relatedness	Hygienes	Need for Affiliation
Safety	Existence		
Physiological			

Process Theories

- Reinforcement Theory
- Expectancy
- Equity
- Justice Theory
- Goal Setting

Co-ordination

Definition

- Coordination involves the development of unity of purpose and the harmonious implementation of plans for the achievement of desired ends

<p style="text-align:center">J. Lundy</p>

Features or Characteristics of Coordination

- Not a separate function of management- distinct function of Management

- Managerial Responsibility

- Provide unity of action

- Coordination is necessary for all the levels of organization

- Relevant of group efforts

- Continuous and dynamic process

- System Concept

Need and Importance of Coordination

- Unity in Diversity
- Term work or unity of direction
- Functional differentiation
- Specialisation
- Reconciliation of goals
- Large number of employees
- Congruity of flows or congruent flows
- Empire building
- Differentiation and integration

Techniques of Co-ordination

- Clearly defined objectives
- Effective chain of command
- Harmonious policies and procedures
- Effective communication
- Sound organization structure
- Co-ordination through a liaison officer
- Co-operation
- Self coordination
- Coordination by leadershipincentives

Types of Co-ordination

- Internal Coordination
- Vertical Coordination
- Horizontal Coordination
- External coordination

Problems of Coordination

- Natural Hindrances
- Lack of administrative talent
- Lack of techniques of coordination
- Ideas and objectives
- Misunderstanding

Employee Growth Training And Development

- **Training**

    The act of increasing the skills of an employee for doing a particular job, and thus it's a process of learning a sequence of programmed behavior to do that particular job.

- **Development**

    It refers broadly to the nature and direction of change induced in employees, through the process of training and educative process.

Objectives of Training

- Improving employee Performance
- Updating Employee skills
- Avoiding Managerial Obsolescence
- Preparing for promoting and Managerial succession
- Retaining and Motivating employees
- Creating an efficient and effective organization

Need of training

- Increased productivity
- Higher Employee morale
- Less Supervision
- Less Wastage
- Easy Adaptability
- Reduced employee turnover
- Employee development
- Change management

Benefits of Training

- Increase competency
- Improve Employee Relations
- Facilitate Organization Change and Development
- Better corporate image

Training Process

- Assessing training needs
- Preparing training plan
- Specifying training objectives
- Designing the training program(s)
- Selecting the instructional methods
- Completing the training plan
- Implementing the training program
- Evaluating the training
- Planning future training

Assessment Stage **Training Stage** **Evaluation Stage**

Organizational Needs Assessment

Task Need Assessment

Development of Training Objectives → **Design & Select Procedures** **Measure Training Results**

Development of Criteria for Training Evaluation **Train** **Compare Results to Criteria**
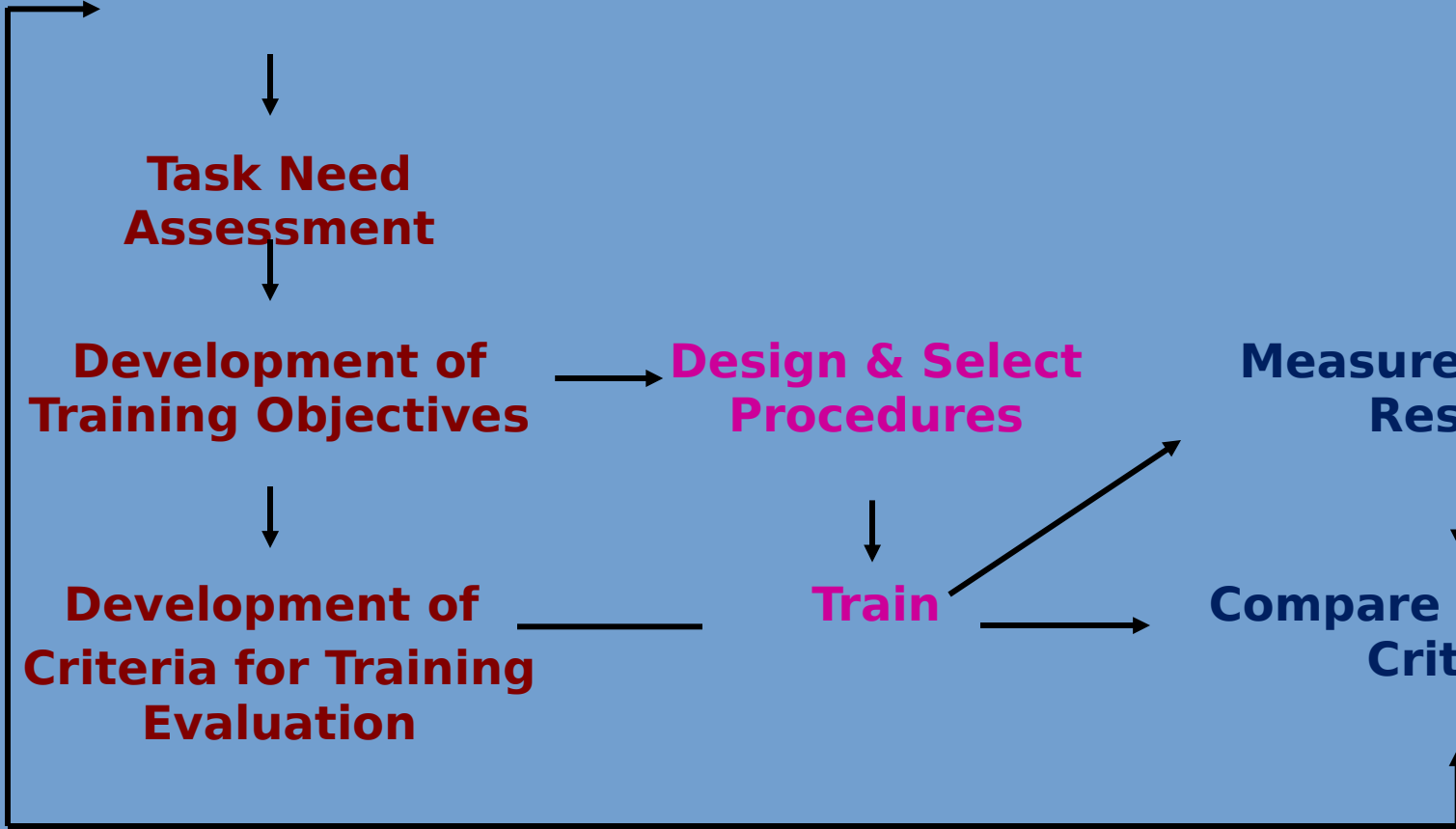
Areas of Training

- Company Policies and Procedure
- Skill based training
- Human Relations Training
- Problem solving Training
- Managerial And Supervisory Training

Training Need Analysis

- A training needs analysis is the method of determining if a training need exists and if it does, what training is required to fill the gap.
- **Organizational Analysis**.
- **Person Analysis**.
- **Work analysis / Task Analysis**.

1. Document the problem

2. investigate the problem

3. Plan the needs analysis

4. Select the technique

5. Conduct the analysis

6. Analyse the data

Techniques for carrying out TNA's

- Interviews
- Survey questionnaires
- Job descriptions and person specifications
- Critical incidents
- Log books and other company records
- Industry seminars
- Supervisor's reports

Methods of Training

➢ **On the Job Training-**

  (In-House Training)

   -Informal method of training

   -Method used for

   - New Employee

   - Employee who requires training

  -Cross Training

  - Manager or experience employee provide training to new employee

- **Advantages of On-the-Job Training:**
  It is directly in the context of job
  - It is often informal
  - It is most effective because it is learning by experience
  - It is least expensive
  - Trainees are highly motivated
  - It is free from artificial classroom situations

- **Disadvantages of On-the-Job Training:**
  Trainer may not be experienced enough to train or he may not be so inclined.
  - It is not systematically organized
  - Poorly conducted programs may create safety hazards.

- **Job Instruction training-** it is use to teach employee how to do the job.
- **Job Rotation-** This type of training involves movement of the trainee or employee from one job to another. Represent excellent method for broadening the managerial potential from specialist to generalist
- **Understudy** – An employee is deputed to work under a senior.
- **Apprenticeship –** Train people for careers that demand a wide range of skills, knowledge and independent judgment.
- Craftsman, Carpenter etc.

- Mentoring
- Coaching
- Objective
  - Develop the employee
  - Attract and retain employees
  - Employee motivation
  - Prepare both employee and organization for future

Off The Job Training

A. Cognitive Methods

- Lectures
- Demonstrations
- Discussions
- Computer Based Training (CBT)

B. Behavioral Methods

- Class Room Methods
- Simulation
- Business Games

- Lecture -
- Demonstration-
- Discussions
- Computer based methods

BEHAVIORAL METHODS

- Behavior Modeling-In this method, some kind of process or behavior is videotaped and then is watched by the trainees.

- The trainees first observe the behavior modeled in the video and then reproduces the behavior on the job.

- **Case Studies**
- Theoretical Cases-
- Factual Cases. (Real cases)-
- **Role play** is a simulation in which each participant is given a role to play.

- **Business Games,** trainees are given some information that describes a particular situation and are then asked to make decisions that will best suit in the favour of the company. And then the system provides the feedback about the impact of their decisions.
- **In-Basket Techniques**
- **Brain Storming**
- **Vestibule training/simulation**
- **T group**

Management Development Programs

To develop managers/executives for better performance

to meet the future requirements of the organization.

To enable the managers to understand the problems and provide solutions

To create conditions and a climate which contribute to the growth process.

To replace elderly executives, who have risen from low ranks, by highly competent and academically qualified professionals.

To increase morale of the managers.

MDP

On The Job Training

- Coaching
- Job Rotation
- Under Study
- Assignments

Off The Job Training

- Simulation
  - Case study
  - Incident method
  - Role play
  - Incident method
  - Business game
- Sensitivity training
- Conference
- Lecture
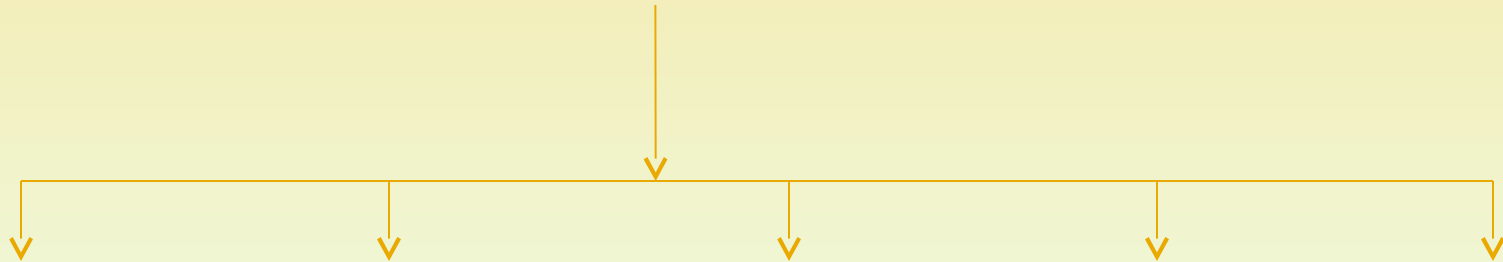
- Reasons for training failure
- Improving efficiency of training

Selection, Training and development and Performance Management

Selection Process

- **Step 1 Completing application materials.**
  - Gathering information regarding an applicant's background and experiences.
  - Typical application materials.
    - Traditional application forms.
    - Résumés.
    - Sometimes tests may be included with application materials.

- **Step 2 Conducting an interview.**

  - Typically used though they are subject to perceptual distortions.

  - Interviews can provide rough ideas concerning the person's fit with the job and the organization.

Selection Process

- **Step 3 Completing any necessary tests.**
  - Administered before or after the interview.
  - Common examples of employment tests.
    - Cognitive, clerical, or mechanical aptitudes or abilities.
    - Personality.
- **Step 4 Doing a background investigation.**

  - Can be used early or late in selection process.

  - Background investigations include:

    - Basic level checks.

    - Reference checks.

Selection Process

- **Step 5 Deciding to hire or not to hire.**
  - Draws on information produced in preceding selection steps.
  - A job offer is made.
  - A physical examination may be required if it is relevant to job performance.
  - Negotiation of salary and/or benefits for some jobs.
- **Step 6 Socialization.**
  - The final step in the staffing process.
  - Involves orienting new employees to:
    - The firm.
    - The work units in which they will be working.
    - The firm's policies and procedures.
    - The firm's organizational culture.

Concept of Training and Development

Training

The act of increasing the skills of an employee for doing a particular job, and thus it's a process of learning a sequence of programmed behaviour to do that particular job.

Development

It refers broadly to the nature and direction of change induced in employees, through the process of training and educative process.

Training & Development : A Comparison

Training

- short term
- for a definite purpose.

Development

- long term educational
- for general purpose.

Role of Training & Development

➢ Increase in Efficiency.

➢ Increase in Morale of Employees.

➢ Better Human Relations.

➢ Reduced Supervision.

➢ Increased Organisational Viability and Flexibility.

Identifying Training Needs

Basic aim of Training

- Suitable change in the individual concerned.
- Should be related both in terms of organisation's demand and that of individual's.

Various Methods for identifying Training Needs

- Organisational Analysis.
- Task Analysis.
- Man Analysis.

Training Methods

- On the job Training (OJT)
- Demonstration
- Job Instruction Training
- Vestibule Training
- Apprenticeship
- Coaching/Understudy
- Job Rotation
- Simulation Training
- Sensitivity Training

On the job Training (OJT)

- To learn by doing itself – Basic Theme
- Learns the method involved and gets perfection over a specific task.
- On experience, job performance will be high and become more efficient.

Demonstration

- Describes and displays

- More effective – mechanical operations

- Combined with lectures and group discussions

Job Instruction Training (JIT)

- 'Training through step-by-step'

- Sequential arrangement of all steps.

- What, how & when to be done

- Providing job information-Positioning the trainees-try out work performance-encouraging to ask questions.

Vestibule Training

- Learn and develop skills in the similar situations.

- 2 parts

- Lecture method and practical exercise (workshops)

- More freedom for experimentation.

Apprenticeship

- Oldest and the most commonly used method
- More time spent on productive job
- Programme of assignments according to pre-determined schedule
- Employees – Paid

Coaching / Understudy

Coaching

- Direct personal instructions and guidance
- Continuous evaluation and correction
- Quick feedback

Understudy

- Assist and will be supervised.
- To develop family members/ sponsored candidates

Job Rotation

- One job to another
- Broader view on system frame of reference
- Cooperative approach to different functions
- Confusion and affects performance

Simulation Training

- Duplication of orginisational situations in a learning environment
- A single brief session
- Adapt to the situation and perceptions of various roles
- Trainees participation is full
- Will be provided with feedbacks and self evaluation by themselves

Sensitivity Training

- Sensitivity training is about making people understand about themselves and others reasonably, which is done by developing in them social sensitivity and behavioural flexibility.

- Social sensitivity in one word is empathy. It is ability of an individual to sense what others feel and think from their own point of view.

- Behavioural flexibility is ability to behave suitably in light of understanding.

PERFORMANCE APPRAISAL

Unit II
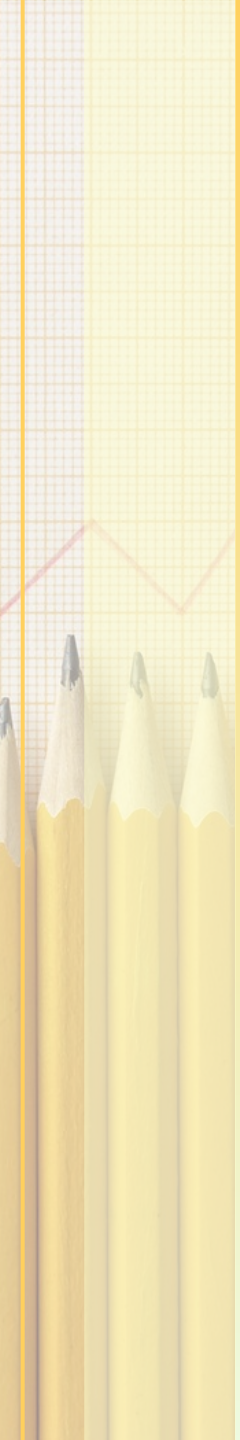
Performance Appraisal

- **Edward Flippo-** Performance appraisal is the systematic periodic and an impartial rating of an employee's excellence in matter pertaining to his present job and his potential for a better job
- Dale S. Beach, "Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development"

- *Compensation* (raises, merit pay, bonuses)
- *Personnel Decisions* (e.g., promotion, transfer, dismissal)
- *Training* (Identify specific requirements)
- *Research* (e.g., assessing the worth/validity of selection tests

Objectives OF PA

According to:

Employee ← → **Organization**

❑ **Concrete and tangible particulars about their work**
❑ **Assessment of performance**
❑ **Improve efficiency**

❑ **Measuring the efficiency**
❑ **Governance**
❑ **Achieve objectives**

Aims at:

← →

❑ **Personal development**
❑ **Work satisfaction**
❑ **Involvement in the organization**.

❑ **Mutual goals of the employees & the organization.**
❑ **Growth & development**
❑ **Increase harmony & enhance effectiveness**

Process of PA

Setting performance standards

Taking Corrective action

Communicating standards

Feedback

Measuring standards

Comparing standards

Error in PA

- Halo Error
- Central Tendency
- Leniency or strictness
- Similarity Error
- Biases
- Faulty Assumptions
- Psychological Blocks

Advantages and disadvantages

- If not done appropriately, may have negative experience.
- time consuming,
- subject to errors & biases.

- Record keeping for future references
- Provide an opportunity for an employee to discuss issues and to clarify expectations
- Feedback to employee
- Can be motivational with the support of a good reward and compensation

Methods of PA

Traditional Methods

1. Paired comparison
2. Graphic Rating scales
3. Forced choice Description method
4. Forced Distribution Method
5. Checks lists
6. Free essay method
7. Critical Incidents
8. Group Appraisal
9. Field Review Method
10. Confidential Report
11. Ranking

Modern Methods

1. Assessment Center
2. Appraisal by Results or Management by Objectives
3. Human Asset Accounting
4. Behaviorally Anchored Rating scales

Paired comparison Method

- Ranking employees by making a chart of all possible pairs of the employees for each trait and indicating which is the better Employee of the pair.

- It is useful where priorities are not clear

- This method is not appropriate if a large number of employee are required to be evaluated.

RANKING EMPLOYEES BY PAIRED COMPARISON METHOD

For the Trait "Quality of work"

For the Trait "Creativity"

Person rated

As compared to	A	B	C
A	+	-	+
B	-	+	-
C	+	-	+

Person rated

As compared to	A	B	C
A	+	-	+
B	-	+	-
C	+	-	+

Graphic or Linear Rating Scales

- A scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her performance for each trait.

- It includes the employee characteristics and employee contribution

Graphic or Linear Rating Scales

Attitude

0	5	10	15	20

No interest In work: consistent complainer	Careless: In-different Instructions	Interested in work: Accepts opinions & advice of others	Enthusiastic about job & fellow-workers	Enthusiastic opinions & advice sought by others

Decisivenes

0	5	10	15	20

Slow to take decisions	Take decisions after careful consideration	Takes decisions promptly	Take decisions in consultation with others whose views he values	Take decisions without consultation

No.
of
employees

10%   20%   40%   20%   10%

poor   Below   average   good   Excellent
       average
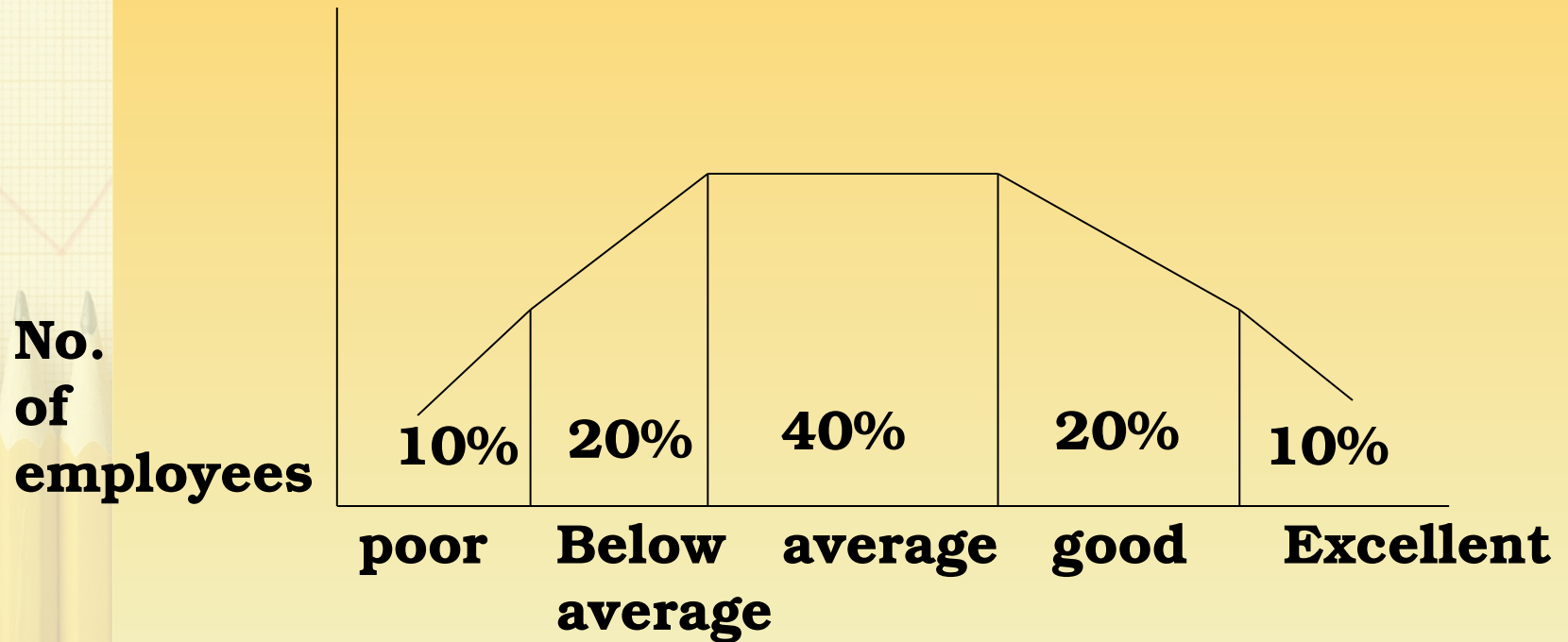
Force distribution curve

- **Advantages of Forced Distribution**
- This method tends to eliminate raters bias
- By forcing the distribution according to pre-determined percentages, the problem of making use of different raters with different scales is avoided.

- **Limitations of Forced Distribution**
- The limitation of using this method in salary administration, however, is that it may lead low morale, low productivity and high absenteeism.

  Employees who feel that they are productive, but find themselves in lower grade(than expected) feel frustrated and exhibit over a period of time reluctance to work.

Check list Method

- List of statements that describe the characteristics of the employees is prepared

- Types

- Simple Check list
  - Is employee hard working   yes/no
  - Is he/she regular on work   yes/no
  - Does s/he cooperate with supervisor   yea/no

- Weight checklist

Traits	Weights	Performance scale rating (1-5)
Regularity	0.5	
Knowledge of the job	1.0	
Dependability	1.5	

- **Advantages of Checklists and Weighted Checklists**

  – Most frequently used method in evaluation of the employees performance.

- **Limitations of Checklists and Weighted Checklists**

  – This method is very expensive and time consuming
  – Rater may be biased in distinguishing the positive and negative questions.
  – It becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employees characteristics, contributions and behaviours.

- **Confidential report**
- **Free essay method**

- Job knowledge and potential of the employee
- Employee relations with co workers
- Employees traits and attitude
- Employee understanding of organization policies and objectives
- Development need for future

- **Nomination**
- **Sample test**

Ranking method

- The ranking system requires the rater to rank his subordinates on overall performance.
- This consists in simply putting a man in a rank order.
- The relative position of each employee is tested in terms of his numerical rank.
- It may also be done by ranking a person on his job performance against another member of the competitive group.

- **Advantages of Ranking Method**
- Employees are ranked according to their performance levels.
- It is easier to rank the best and the worst employee.

- **Limitations of Ranking Method**
- The "whole man" is compared with another "whole man" in this method. In practice, it is very difficult to compare individuals possessing various individual traits.
- This method speaks only of the position where an employee stands in his group. It does not test anything about how much better or how much worse an employee is when compared to another employee.
- When a large number of employees are working, ranking of individuals become a difficult issue.
- There is no systematic procedure for ranking individuals in the organization. The ranking system does not eliminate the possibility of snap judgements.

Critical Incident method

Ex: sudden breakdown, accident, irritated customer, employee critical issues, legal complications etc.

Employees	Reaction	scale
A	Informed the supervisor immediately	5
B	Become anxious on loss of output	4
C	Tried to repair the machine	3
D	Complained for poor maintenance	2
E	Was happy to forced test	1

- **Advantages of Critical Incident techniques**
- This method provides an objective basis for conducting a thorough discussion of an employees performance.
- This method avoids recency bias (most recent incidents are too much emphasized)
- **Limitations of Critical Incident techniques**
- Negative incidents may be more noticeable than positive incidents.
- The supervisors have a tendency to unload a series of complaints about the incidents during an annual performance review sessions.
- It results in very close supervision which may not be liked by an employee.
- The recording of incidents may be a chore for the manager concerned, who may be too busy or may forget to do it.

- **Individual's evaluation methods:**
  - Confidential report
  - Essay evaluation
  - Critical incidents
  - Checklists
  - Graphic rating scale
  - Behaviorally anchored rating scales
  - Forced choice method
  - MBO

- **Multiple person evaluation methods:**
  - Ranking
    Paired comparison
    Forced distribution.

- **Other methods:**
  - Group Appraisal
  - Assessment center
  - Filed view.

Modern methods of Appraisal

UNIT II

Assessment Centre

- An assessment center is a place to evaluate an individual potentiality and performance, so as to position he/she in the core functional areas.

- An assessment center involves use of methods like
  - social/informal events,
  - tests and exercises,
  - assignments (similar to job)
  - given to a group of employees to assess their competencies to take higher responsibilities in the future.

- **E.G. RBI, Crompton Greaves, Eicher and Hindustan Unilever**

- The major competencies that are judged in assessment centers are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc.

- Also effective in determining the training and development needs of the targeted employees.

BEHAVIORALLY ANCHORED RATING SCALES

- It combines the graphic rating scale and critical incidents method

- In this method, an employee's actual job behavior is judged against the desired behavior by recording and comparing the behavior with BARS

- the qualities like inter-personal relationships, adaptability and reliability, job knowledge

An Example of Behaviorally Anchored Rating Scale (BARS)

Performance	Points	Behavior
Extremely good	7	Can expect trainee to make valuable suggestions for increased sales and to have positive relationships with customers all over the country.
Good	6	Can expect to initiate creative ideas for improved sales.
Above average	5	Can expect to keep in touch with the customers throughout the year.
Average	4	Can manage, with difficulty, to deliver the goods in time.
Below average	3	Can expect to unload the trucks when asked by the supervisor.
Poor	2	Can expect to inform only a part of the customers.
Extremely poor	1	Can expect to take extended coffee breaks and roam around purposelessly.

Management by objectives

- The definition of MBO, as expressed by its foremost proponent, **Dr. George S. Odiorne,**

  "Management by objectives is a process whereby the superior and subordinate managers of an organization jointly identify its

- common goals,

- define each individual's major areas of responsibility in terms of the results expected of him,

- and use these measures as guides for operating the unit and assessing the contribution of each of its members."

Management by Objectives (Peter Drucker)

- Integrates performance and goal setting
- Frequent intervals
- Record maintenance
- Objective review jointly
- Mutual buy-in

Advantages of MBO

1. Employees Can Measure Performance
2. Quantifiable Goals
3. Joint Effort
4. Employee Satisfaction in Participation

Set
organization
goals

Set
Department
goals

Define
expected
results

Performance review

Feedback

- **Limitations**
- Setting Un-measurable Objectives
- Time-consuming
- Time-consuming: (Difference in opinion)
- Lack of Trust

- **E.g LARSEL AND TURBO LTD, MAKRO (Metro Group)**

Human Resource Accounting

- **Human Resource Accounting** is a method
- to measure the effectiveness of personnel management activities
- and the use of people in an organization.
- HRA is the process of Assigning, **budgeting**, and **reporting** the **cost of human resources** incurred in an organization, including wages and salaries and training expenses

Sector where Human resource accounting used

Personal Finance	Automotive	Education	Healthcare	Speciality Finance

360 degrees Performance Appraisal

- Conducting employee appraisals on key competencies and behavioral attributes.
- Available sources for assessments:
- Self assessment
- Assessment from managers or supervisors
- Assessment from direct reports or subordinates
- Assessment from internal customers or peers
- Assessment from clients or suppliers

360 Degree Assessment

PLUS 360

Manager

- Communication
- Customer Focus
- Personal Accountability
- Results Orientation
- Self Management

Clients

- Communication
- Customer Focus
- Professionalism
- Service Delivery

Employee

Peers

- Communication
- Customer Focus
- Results Orientation
- Flexibility

Direct Reports

- Communication
- Customer Focus
- Leadership
- Goal Achievement
- Results Orientation

Advantages of 360 degree appraisal

- Offer a more comprehensive view towards the performance of employees.
- Improve credibility of performance appraisal.
- colleague's feedback will help strengthen self-development.
- Increases responsibilities of employees to their customers.
- More accurate assessment.
- More persuasive.
- People who undervalue themselves are often motivated by feedback from others.

Disadvantages of 360 degree appraisal

- Time consuming and complex in implementation
- Extension of exchange feedback can cause troubles and tensions to several staff.
- There is requirement for training and important effort in order to achieve efficient working.
- Feedback can be useless if it is not carefully and smoothly dealt.
- Transparency is required unless leads to conflicts

❑   **E.G Google, Wipro, Infosys, Reliance Industries, Maruti Udyog, HCL Technologies**

Every organization must....

- Attract competent people and retain them.

- Allow people to perform tasks for which they are hired.

- Stimulate people to go beyond routine performance and overreach themselves in their work.

What is performance?

- **Performance = f (ability * Motivation)**
- **Ability**= skill and competencies of the person to complete a given task.
- Persons desire is also required (this deals with **motivation**).

What is motivation???

- Set of forces that cause people to behave in certain ways.
- Motivation is the result of processes, internal and external to the individual, that arouse enthusiasm and persistence to pursue a certain course of action.

Introduction (Cont.)

Motivation is the psychological process	that leads to →	Choice of behavior	that results in →	Some level of job performance
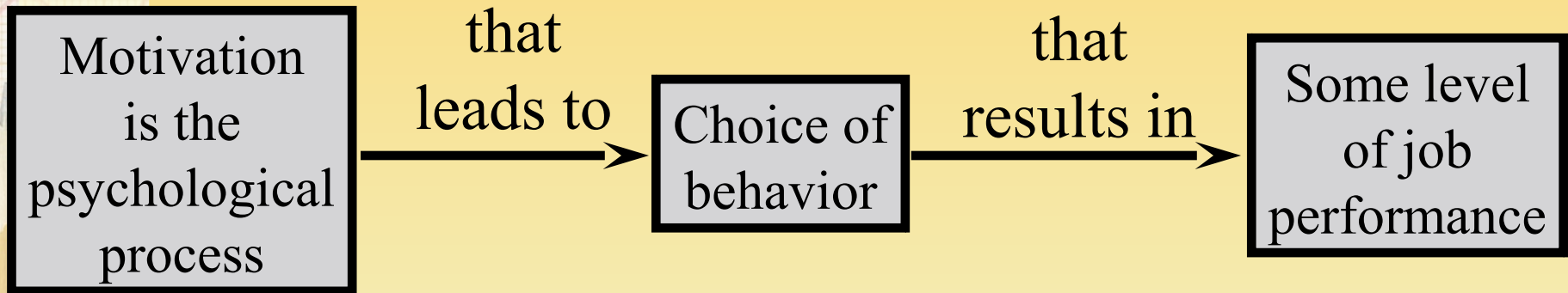
The Motivation-Behavior-Job Performance Sequence

What is Motivation?

Motivation

The processes that account for an individual's intensity, direction, and persistence of efforts toward attaining a goal.

Key Elements

1. Intensity: how hard a person tries
2. Direction: toward beneficial goal
3. Persistence: how long a person tries

Bottom Line

- Motivation is accomplishing things through the efforts of others. If you cannot do this, you will fail as a manager.

Job performance = f (ability * motivation * organizational support)
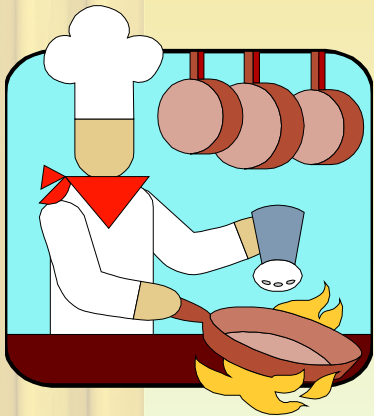
Importance of motivation

- Motivated employee is quality oriented
- Motivated employee is more productive

Intrinsic and Extrinsic motivation

Intrinsic motivation

- Intrinsic motivation, which refers to doing something because it is inherently interesting or enjoyable.

- Intrinsic motivation is defined as the doing of an activity for its inherent satisfaction rather than for some separable consequence

Examples of Intrinsic Motivation

- Writing short stories because you really enjoy writing them, reading a nonfiction book because you are curious about the topic, and playing chess because you enjoy effortful thinking are some intrinsic motivation examples.

Extrinsic Motivation

- Extrinsic motivation reflects the desire to do something because of external rewards such as awards, money, and praise.

- People who are extrinsically motivated may not enjoy certain activities.

- They may only wish to engage in certain activities because they wish to receive some external reward.

Why Extrinsic Motivation Doesn't Work?

"If a reward — money, awards, praise, or winning a contest — comes to be seen as the reason one is engaging in an activity, that activity will be viewed as less enjoyable in its own right."

•

Extrinsic motivation has some serious drawbacks:

• 1. It's not sustainable - As soon as you withdraw the punishment or reward, the motivation disappears.

• 2. You get diminishing returns - If the punishment or rewards stay at the same levels, motivation slowly drops off. To get the same motivation next time requires a bigger reward.

• 3. It hurts intrinsic motivation - Punishing or rewarding people for doing something removes their own innate desire to do it on their own.

Factors that promote intrinsic motivation

- Challenge - Being able to challenge yourself and accomplish new tasks.

- Control - Having choice over what you do.

- Cooperation - Being able to work with and help others.

- Recognition - Getting meaningful, positive recognition for your work.

- Happiness at work - People who like their job and their workplace are much more likely to find intrinsic motivation.

- Trust - When you trust the people you work with, intrinsic motivation is much easier.

Cultural differences in Motivation

Factors	American	Japanese	Arab
Mgmt. Style	Leadership, Friendliness	Persuasion, Functional group activities	Coaching, personal attention, parent hood
Control	Independence, Decision making, time, space, money.	Group harmony	Of others/parent hood
Recognition	Individual contribution,	Group identity, Belonging to group	Individual status, Class, promotion
Material awards	Salary, profit sharing	Annual bonus, fringe benefits	Gift for self, family, salary increase
Threats	Loss of job	Out Of Group	Demotion
Cultural Values	Competition Risk taking, Freedom	Group harmony, achievement, Belonging	Reputation, Family security, religion, social status

Application of motivation concepts
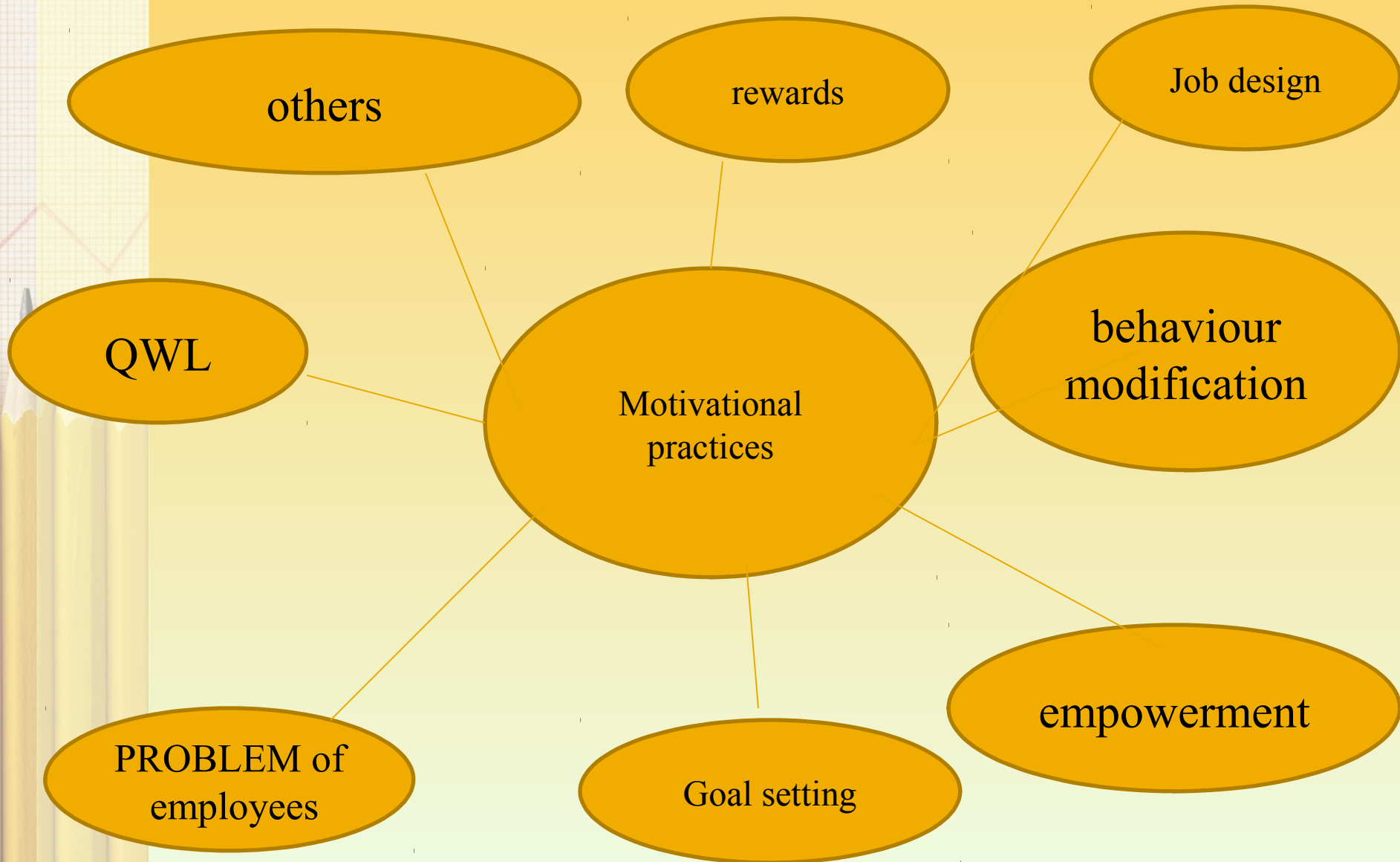
THEORIES ON MOTIVATION

MASLOW'S NEED HIERARCHY THEORY

- People are wanting beings whose needs can influence their behaviour. (only unsatisfied needs can influence behaviour, satisfied need no longer acts as motivator).
- Needs are many, they are arranged in order of importance/ hierarchy (from basic to complex).

- The person advances to next level of hierarchy, only when lower level need is at least minimally satisfied.

Categories of Need

- Five categories of need include:
  - Physiological needs
  - Safety needs
  - Love & belongingness
  - Esteem
  - Self-actualization

Maslow's Hierarchy of Needs

Self-actualization

Esteem

Belongingness and love

Safety
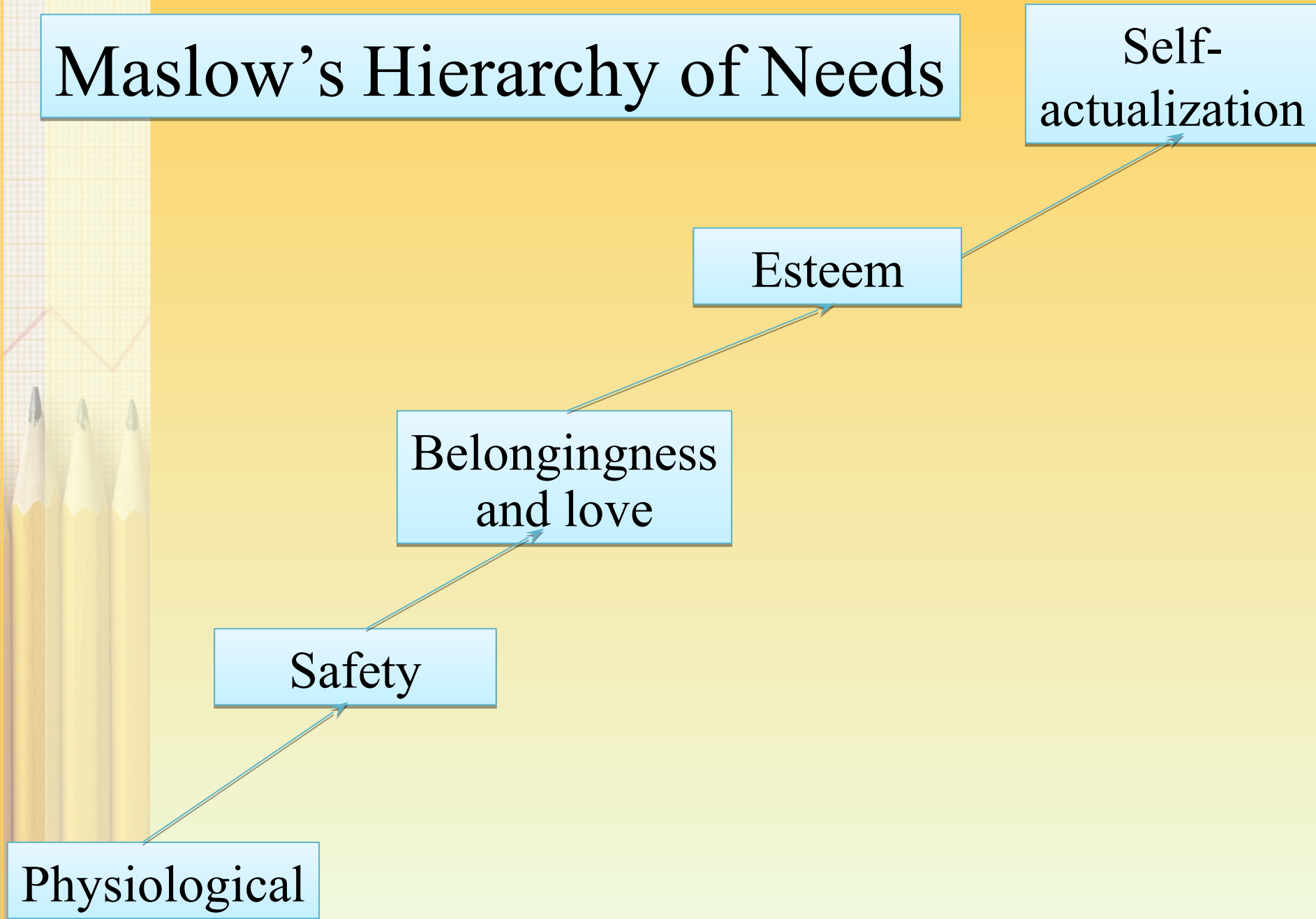
Physiological

Maslow's Hierarchy of Needs Theory (Cont.)

- **Physiological needs:** basic requirements of the human body; food, water, sleep. **Example:** If you are taking a road trip and you get thirsty you usually stop somewhere to get a drink.

- **Safety needs:** desires of a person to be protected from physical and economic harm. Safety and Security needs include:

  – Personal security, financial security, health/well-being, & safety nets against accidents/illness

- **Example:** People look both ways before crossing the street & if they don't look before they don't feel safe.

- **Belongingness and love needs (social):** desire to give and receive affection; be in the company of others. **Example:** Children join gangs just to feel like they fit in & have friends.
- **Esteem needs:** self-confidence and sense of self-worth
  - Esteem from others: valuation of self from other people. Ex- prestige, recognition, status, attention, acceptance
  - Self-esteem: feeling of self-confidence and self-respect, strength, capabilities and of being useful and necessary in the world.
  - **Example:** Even though she knows she is pretty, a young girl does modeling to get compliments on her beauty which builds up her self-esteem.

- **Self-actualization needs:** A state of self-fulfillment in which people realize their highest potential, each in his or her own unique way. Located at the top of the pyramid. Reaching self-satisfaction
- **Example:** A teenager plays football all through high school & college to become a professional football player & after college he does, now he is happy & satisfied with his life.

Maslow: ". . . the desire to become more and more what one is, to become everything that one is capable of becoming."

Assumptions of Maslow's Hierarchy

Movement up the Pyramid

• Individuals cannot move to the next higher level until all needs at the current (lower) level are satisfied.

• Individuals therefore must move up the hierarchy in order

Maslow Application:

A homeless person

will not be motivated to

meditate!

Maslow theory in Organisation

Physiological Needs	Salary and Basic Working Conditions
Safety Needs	Pension Scheme, Group Insurance, Provident Funds, Safe working conditions, grievance procedure, system of seniority to govern layoffs etc.
Social Needs	Compatible work groups, peer recognition, professional friendship and friendly supervision.
Self-esteem needs	Job title, merit pay-increase, peer recognition, challenging work, responsibility and publicity and company publications
Self- actualisation needs	Desire for excelling oneself in one's job, advancing an idea, successfully managing a unit .

Maslow's Hierarchy of Needs
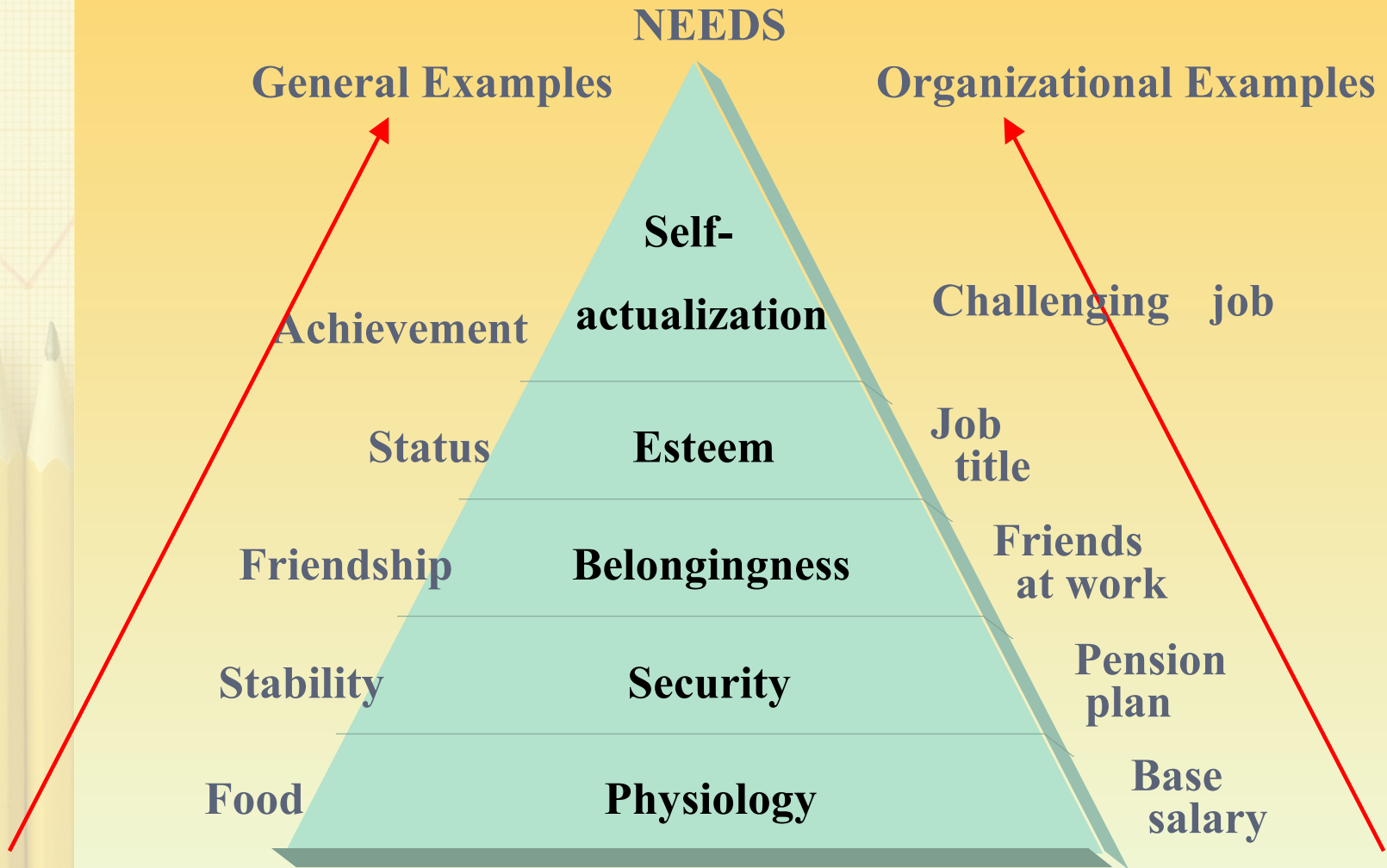
Criticism of the Model

- Non-existence of hierarchy of needs. (an individual motivated by self-actualization needs cannot afford to forget his food)

- Hierarchy if exists, is not same for all cultures. This suits to American and British. For Japanese, Social and security needs are higher than self-actualization needs.

- Managers will not have time to leisurely diagnose of where every employee is on Maslow's hierarchy and then customize rewards accordingly.

- Many individuals stay contented with the lower level needs only, they may not move further in the hierarchy.

HERZBERGS TWO FACTOR THEORY OF MOTIVATION

Or Motivation-Hygiene Theory

Or Dual factor Theory

Herzberg's Theory Rests on 2 Assumptions

- Being satisfied with one's job is equivalent to being motivated; "a satisfied worker is a motivated worker"
- Job satisfaction and dissatisfaction are separate concepts with unique determinants based on work with accountants and engineers

Herzberg's Motivation-Hygiene Theory

Motivators	Hygiene Factors
• Achievement	• Supervision
• Recognition	• Company Policy
• Work Itself	• Relationship with Supervisor
• Responsibility	• Working Conditions
• Advancement	• Salary
• Growth	• Relationship with Peers
	• Personal Life
	• Relationship with Subordinates
	• Status
	• Security

Extremely Satisfied   Neutral   Extremely Dissatisfied
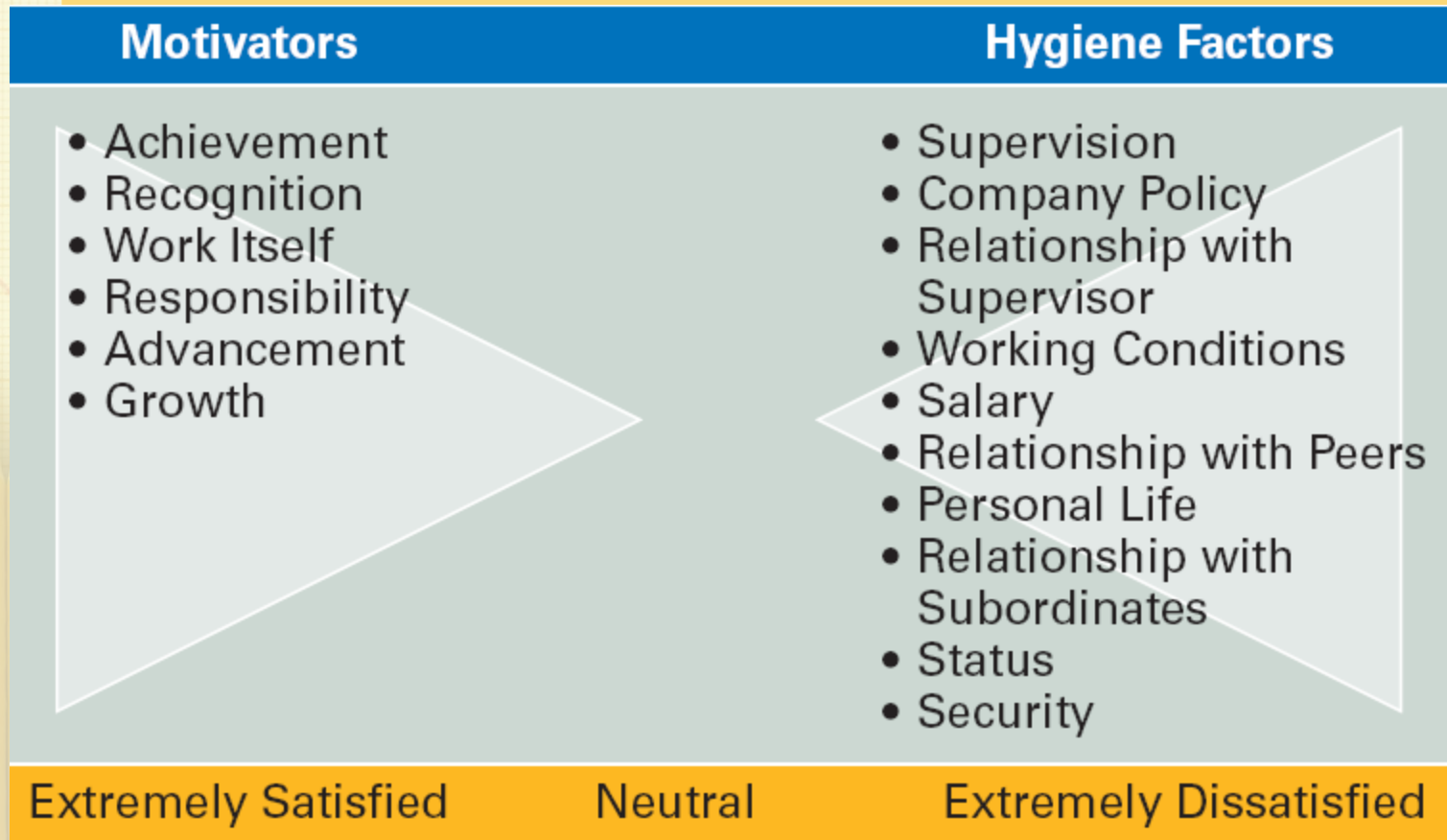
Herzberg's Motivator-Hygiene Theory

- **Dissatisfiers Or Hygiene Factors:** items predominantly found in descriptions of negative events which includes extrinsic factors:
  - Could lead to high levels of employee dissatisfaction
  - Their absence, or a person's failure to experience them, would produce dissatisfaction at work.
  - Providing them doesn't motivate workers to work hard, except perhaps for a short period of time, after which they are taken for granted and people want new improvements. In other words it will cause no dissatisfaction.
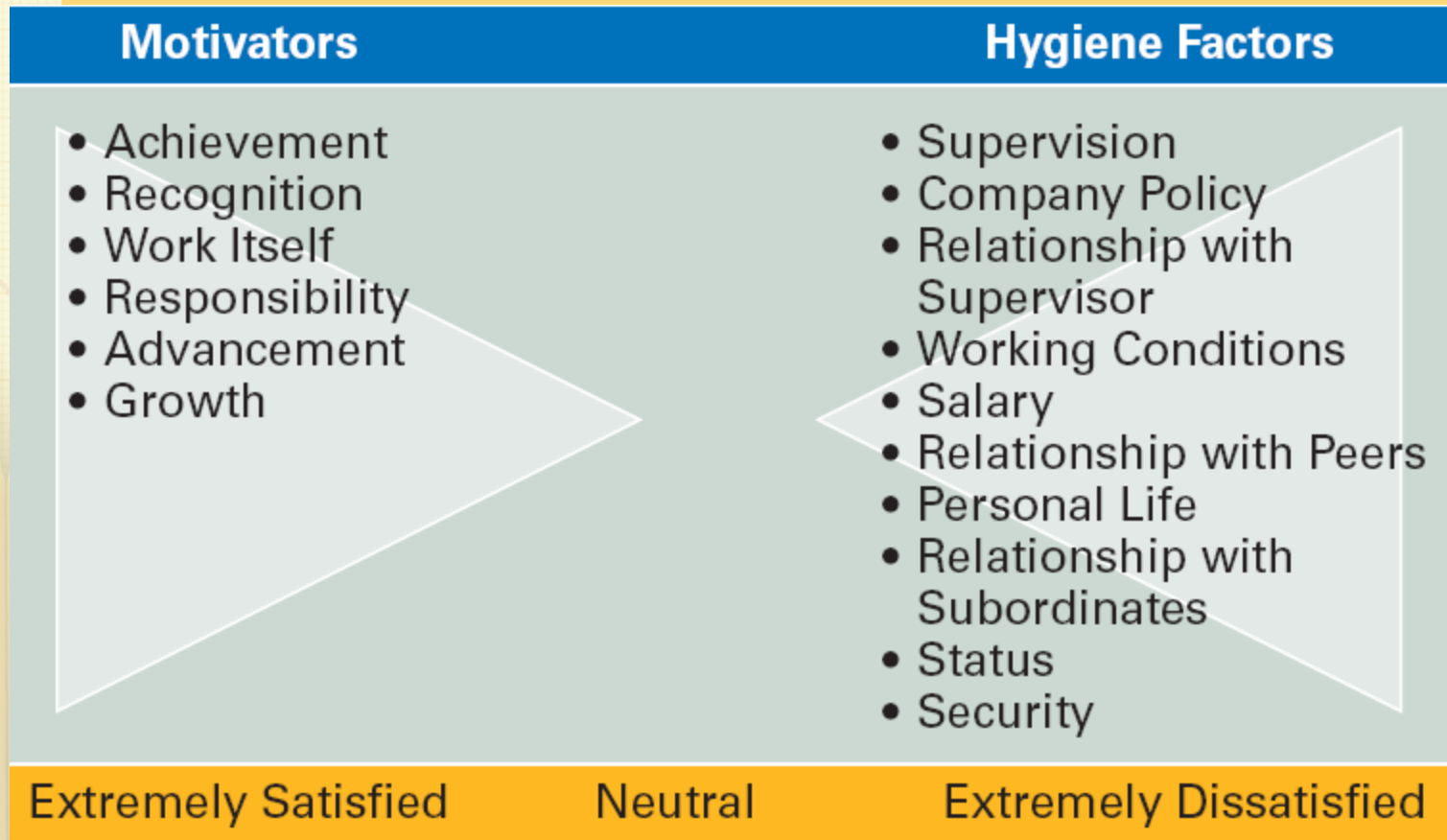
Herzberg's Motivator-Hygiene Theory

- **Satisfiers Or Motivators :** items predominantly found in descriptions of positive events which are basically the intrinsic factors.
    - Could lead to high levels of employee satisfaction
    - Their absence, or a person's failure to experience them, would produce no satisfaction in long run.

Herzberg's Motivation-Hygiene Theory

Motivators	Hygiene Factors
• Achievement • Recognition • Work Itself • Responsibility • Advancement • Growth	• Supervision • Company Policy • Relationship with Supervisor • Working Conditions • Salary • Relationship with Peers • Personal Life • Relationship with Subordinates • Status • Security

| Extremely Satisfied | Neutral | Extremely Dissatisfied |

Contrasting Views of Satisfaction-Dissatisfaction

Traditional View

Satisfied	Dissatisfied

Herzberg's View

Motivators		Hygiene Factors	
Satisfaction	No Satisfaction	No Dissatisfaction	Dissatisfaction

Criticism of theory

- Reliability on Herzberg's methodology is questioned.

- It is more towards job satisfaction than motivation.

- The two factors are not actually distinct. Both motivators and hygiene contribute to both satisfaction and dissatisfaction.

McClelland's Needs Theory

- Three-Needs Theory
  - There are three major acquired needs that are major motives in work.
  - **Need for achievement (nAch)**
    - The drive to excel and succeed
  - **Need for power (nPow)**
    - The need to influence the behavior of others
  - **Need of affiliation (nAff)**
    - The desire for interpersonal relationships

McClelland's Achievement Motivation Theory (Cont.)

Strong need for achievement -people
- Take responsibility for results of behavior
- Willing to take high risks
- Derive satisfaction by achieving goals
- Prefer to set performance standards for themselves
- Prefer non-routine tasks to routine assignments
- Welcome feedback about how well they are doing

McClelland's Achievement Motivation Theory (Cont.)

Strong Need for Power- people
- Focuses on "controlling the means of influencing the behavior of another person"
- Having strong effects on other people.
- Means of influence: anything available to the person to control the behavior of another.
- Actively searches for means of influence.

Example: use superior-subordinate relationship
or external rewards to control the behavior of another

McClelland's Achievement Motivation Theory

- Ways of expressing the Need for Power
  - Dominance, physical aggression, exploitation
    - View situations from a win-lose perspective
    - Must win and the other party must lose

McClelland's Achievement Motivation Theory (Cont.)

Strong Need for Affiliation -people

- Focuses on "establishing, maintaining, and restoring positive affective relations with others"
- Want close, warm interpersonal relationships
- Seek the approval of others, especially those about whom they care
- Like other people, want other people to like them, and want to be in the company of others

McClelland's Achievement Motivation Theory (Cont.)

Need for achievement and behavior

– **Money**: important to both high and low achievers, but for different reasons

- High achiever wants concrete feedback about performance
- Making a profit, or receiving a bonus, is a statement about success or failure
- Symbol of success and feedback about job performance

McClelland's Achievement Motivation Theory (Cont.)

- Need for achievement and behavior (cont.)
  - High achiever wants a challenging job and responsibility for work
  - Want to feel successful at doing something over which they have control
  - Low achiever views monetary reward as an end in itself

McClelland's Achievement Motivation Theory (Cont.)

- Need for Achievement and Need for Power: some relationships
    - Strong Need for Achievement person
        - Task centered
        - Future oriented
        - Performs to internal standard of excellence

McClelland's Achievement Motivation Theory (Cont.)

- Need for Achievement and Need for Power: some relationships (cont.)
  - Strong Need for Power person
    - Draws attention
    - Risk taking
    - Present oriented
    - Assesses situations for change potential

McClelland's Achievement Motivation Theory (Cont.)

Need for Achievement and Need for Power: some relationships (cont.)

- Both types of people important for successful organizations
- Strong Need for Achievement managers keep an organization going
- Strong Need for Power people bring dramatic change and innovation

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