

ORGANIZATION & MANAGEMENT (OM)



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According to the Syllabus of the Institutes of Bankers, Bangladesh (IBB)

Organization and Management

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Forewords

The Institute Of Bankers, Bangladesh (IBB), established in 1973, has been working for developing the professional skills of the employees of all Banks and Financial Institutions operating in Bangladesh. In this regard, IBB conducts the Banking Professional examination, JAIBB (Junior associate of the Institute Of Bankers, Bangladesh) and AIBB (Associate of the Institute Of Bankers, Bangladesh) usually held twice in a year throughout the country.

The examinations are being conducted under standard syllabus covering various aspects of banking profession. As banking is ever-evolving discipline, the syllabus for banking Professional examination is also required to be matched with the changing banking conditions. For the same purpose, A committee was formed under the leadership of Dr. Toufic Ahmad Choudhury former Director General, BIBM and comprising of Mr. Md. Ali Hossain Prodhania, Former Managing Director, Bangladesh Krishi Bank, Mr. Abul Kashem Md. Shirin, Managing Director & CEO, Dutch-Bangla Bank Ltd., Dr. Mohammad Haider Ali Miah, Former Managing Director & CEO, EXIM Bank of Bangladesh Ltd., Dr. Shah Md. Ahsan Habib, Professor, BIBM, Mr. Alamgir Morshed, CEO, IDCOL, Mr. Omar Faruque , CFCC Head, Standard Chartered Bank and Laila Bilkis Ara, Secretary General, IBB for updating and upgrading the syllabus of IBB Banking Professional examination.

The committee did the splendid job of formulating the new syllabus for both JAIBB and AIBB, which was later approved by the Syllabus and Examination Committee and Council Chairman of the institute (Honorable Governor, Bangladesh Bank). The same committee has also been entrusted to formulate standard reading materials by the subject matter specialists and practitioners under their (committee members) guidance in order to facilitate the examinees for consulting focused reading materials instead of so many (sometimes also irrelevant) books. This particular reading material on **Organization and Management (OM)** has been prepared and compiled by Shah Md Ahsan Habib and Mrs. Fahmida Chowdhury. We extend our gratitude and thanks to them for taking the trouble of writing the reading material.

All the reading materials of both JAIBB and AIBB will be gradually uploaded in the IBB e-library Web portal. The examinees/readers/users are requested to send their opinion/ suggestion on any reading material and we will consider their opinion with great importance. Besides, the IBB will modify/update the reading materials from time to time as per the requirements of the examinees.

Finally, the Institute Of Bankers, Bangladesh takes this opportunity to express its gratitude to the learned members of IBB Council, the syllabus and examination review committee and reading material preparation committee for preparing syllabus and reading materials for IBB Professional examinations.

Laila Bilkis Ara
Secretary General, IBB

Preamble to the first edition

This book is written and compiled as a textbook for banking professionals. This reading material has been designed in such a way that can help the candidates as a reference and guide for their readiness. At the same time, further reading from other sources of materials on each of the topics will enhance their knowledge and give a better insight into each of the topics.

The chapters in this book are aligned with the syllabus formulated by an Expert Committee designated by The Institute of Bankers, Bangladesh (IBB). Additional focus is given on major topics and their easy explanation so that readers can get a proper understanding of the subject. The sequential discussion of the topic in the book will give the comfort of reading to readers and will make them more confident in the job they are doing.

There are five modules in this book. For better explanation, these modules are divided into several sub-chapters and topics following the syllabus. The first edition has many limitations. This was a time-bound project. We wish to have more up-to-date examples and explanations of the topic in upcoming editions.

Since this is a combination of the authors' own writings and compilation, authors do not claim full credit for their works. While writing and compiling this book, the authors focused on the easy explanation of the topics so that this could help the candidates for professional banking examinations. At the same time, the authors expect that this book will help others who want to explore their knowledge in organization and management.

Fahmida Chowdhury

Shah Md. Ahsan Habib, PhD

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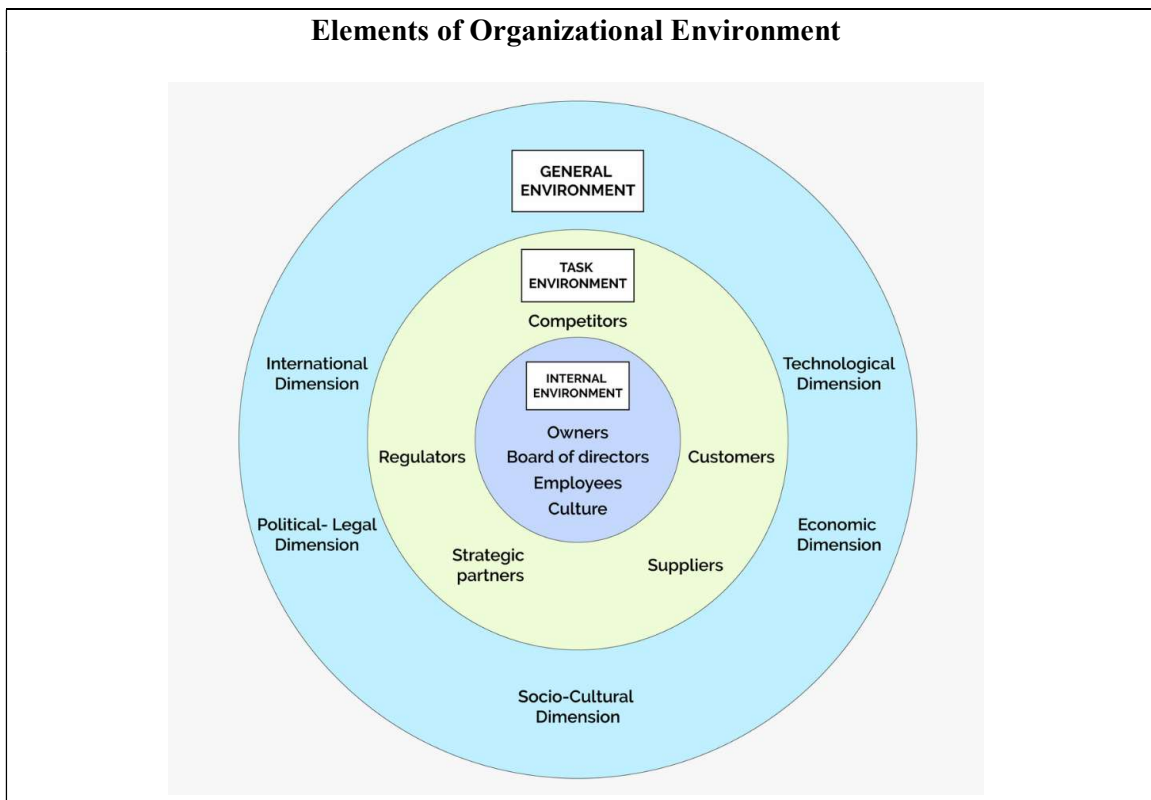
Module A:

Fundamentals of Organizational Behavior and Environment

Module A: Fundamentals of Organizational Behavior and Environment

A.1. Environment

The term 'environment' indicates the surroundings or conditions in which a particular activity is carried on. It is well-known that organization is a social entity that has a hierarchical structure where all necessary items are put together and they act within it to reach the collective goal. Organizations and their activity are always being affected by the environment. In an organization, every action of the management body is influenced by the environment.



Businesses operate as part of an environment, which is known as its business environment. The organization, whether business or non-business, has its environment. The organizational environment is always dynamic and ever-changing. The business environment consists of all those components that influence the decisions, actions, strategies and objectives of a business organization in some way or the other.

The business environment can be commonly classified into:

1. Internal environment and
2. External environment
 - a. General environment
 - b. Industry environment

An organization's operations are affected by both types of environments. Therefore, the managers need to make an in-depth analysis of the elements of the environments so that they can develop in themselves an understanding of the internal and external situations of the organization. Based on their understanding, they will be better able to establish the required objectives for their organization and formulate appropriate strategies to achieve those objectives.

1.1 Internal Environment

The internal environment of a business consists of all the factors that are directly involved with the organization and which have a direct impact on its business and routine activities. These factors are generally within the control of the organization, irrespective of whether they are tangible or intangible. The internal environment includes everything within the boundaries of the organization.

Some of these are tangible, such as the physical facilities, the plant capacity technology, proprietary technology or know-how; some are intangible, such as information processing and communication capabilities, reward and task structure, performance expectations, power structure management capability and dynamics of the organization's culture.

Based on those resources, the organization can create and deliver value to the customer. This value is fundamental to defining the organization's purpose, and the premise on which it seeks to be profitable.

Internal environment includes various internal factors of the organization such as resources, owners/shareholders, a board of directors, employees and trade union, goodwill, and corporate culture. These factors are detailed out below.

1.1.1 Elements of internal environment are

- a) Owners and Shareholders.
- b) Board of Directors.
- c) Employees.
- d) Organizational Culture.
- e) Resources of the Organization.
- f) Organization's image/goodwill.

The internal environment consists mainly of the organization's owners, the board of directors, employees and culture.

a) Owners and Shareholders

Owners are people who invested in the company and have property rights and claims on the organization. Owners can be an individual or group of persons who started the company; or who bought a share of the company in the share market. They have the right to change the company's policy at any time.

Owners of an organization may be an individual in the case of sole proprietorship business, partners in a partnership firm, shareholders or stockholders in a limited company or members in a cooperative society. In public enterprises, the government of the country is the owner.

Whoever the owners, they are an integral part of the organization's internal environment. Owners play an important role in influencing the affairs of the business.

b) Board of Directors

The board of directors is the governing body of the company who is elected by stockholders, and they are given the responsibility for overseeing a firm's top managers such as the general manager.

c) Employees

Employees or the workforce, the most important element of an organization's internal environment, which performs the tasks of the administration. Individual employees and also the labor unions they join are important parts of the internal environment. If managed properly they can positively change the organization's policy. But ill-management of the workforce could lead to a catastrophic situation for the company.

d) Organizational Culture

Organizational culture is the collective behavior of members of an organization and the values, visions, beliefs, habits that they attach to their actions. An organization's culture plays a major role in shaping its success because the culture is an important determinant of how well their organization will perform.

An organization's culture is viewed as the foundation of its internal environment. Organizational culture (or corporate culture) significantly influences employee behavior. Culture is important to every employee including managers who work in the organization.

A strong culture helps a firm achieve its goals better than a firm having a weak culture. Culture in an organization develops over many years, starting from the practices of the founder(s). Since culture is an important internal environmental concern for an organization, managers need to understand its influence on organizational activities.

e) **Resources of the Organization**

An organization's resources can be discussed under five broad heads: physical resources, human resources; financial resources, informational resources, and technological resources.

- **Physical resources:** Physical resources include land and buildings, warehouses, all kinds of materials, equipment and machinery. These are the physical assets of an organization, for example plant, building, etc., which are used to transform inputs into outputs.
- **Financial resources:** Financial resources include capital used for financing the operations of the organization including working capital. Examples are investment by owners, profits, reserve funds, and revenues received out of a sale. These comprise of the capital and funds that are part of an organization. Companies allocate funds to those activities that offer maximum output by incurring the least cost. Hence, the goal is optimum resource allocation.
- **Human resources:** Human resources include all employees of the organization from the top level to the lowest level of the organization. Examples are teachers in a university, marketing executives in a manufacturing company, and manual workers in a factory. The human resources take operational and managerial decisions regarding the organization.
- **Informational resources:** Informational resources encompass 'usable data needed to make effective decisions. Examples are sales forecasts, price lists from suppliers, market-related data, employee profile, and production reports.
- **Technological resources:** The technical knowledge that is employed while manufacturing the products and services of the organization.

f) **Organization's image/goodwill**

The reputation of an organization is a very valuable intangible asset. High reputation or goodwill develops a favorable image of the organization in the minds of the public, in other words in the minds of the customers. A negative image destroys the organization's efforts to attract customers in a competitive world.

The internal environment of an organization consists of the conditions and forces that exist within the organization. Internal environment sometimes called micro-environment portrays an organization's 'in-house' situations. An organization has full control over these situations. Unlike the external environment, firms can directly control the internal environment.

1.2 External Environment

Factors outside or organization are the elements of the external environment. The organization has no control over how the external environment elements will shape up. The external environment embraces all general environmental factors and an organization's specific industry-related factors. The general environmental factors include those factors that are common in nature and generally affect all organizations.

Because of their general nature, an individual organization alone may not be able to substantially control their influence on its business operations. Managers have to continuously read signals from the external environment to spot emerging opportunities and threats. The external environment presents opportunities for growth leadership, and market dominance, it also poses the threat of obsolescence for products, technology, and markets.

While one section of an organization faces opportunities, another faces threats from a similar environment, perhaps because there is differentiation in their respective resources, capabilities and entrenched positions within the industry.

Organizations need to take into account all of their external environment factors and adjust their business plans and objectives accordingly. This would ensure that their business continues to function smoothly and in an uninterrupted manner. In addition, the external environment provides opportunities and threats to the organizations. Hence, when the company adjusts its internal environment with the external environment, it becomes possible for it to take advantage of environmental opportunities and to avoid environmental threats.

The external environment is typically divided into two categories, micro environment and macro environment:

- **Micro environment:** The micro environment includes all those factors that have a direct impact on the activities of the organization because they are present in the immediate environment surrounding the organization. These factors have an impact on organization performance and are somewhat controllable. Micro environment includes customers, competitors, suppliers, public and intermediaries.
- **Macro environment:** The macro environment usually has an impact on the entire industry and not just a specific organization. It is also known as the general environment and cannot be controlled by the organization. Hence, the organization needs to adapt their operations in accordance with the changes in the macro environment. The macro environment includes the economic environment and the non-economic environment, consisting of the political, legal, demographic, socio-cultural, technological and global environment.

1.2.1 Types of external environment:

The external environment can be subdivided into two layers;

- a) General Environment
- b) Task / Industry Environment.

a) General Environment of Organization:

The general environment usually includes political, economic, sociocultural, technological, legal, environmental (natural) and demographic factors in a particular country or region. The general environment consists of factors that may have an immediate direct effect on operations but influences the activities of the firm.

The factors of the general environment are broad and non-specific whereas the dimensions of the task environment are composed of the specific organization. The external environment consists of an organization's external factors that affect its businesses indirectly. The organization has no or little control over these factors; that means, the external environment is generally non-controllable.

1.2.2 Elements/Factors of the General External Environment

The general environment includes the; distant factors in-the external environment that is general or common in nature. Its impact on the operations of the firm, its competitors and customers make its analysis imperative.

- Political factors
- Economic factors
- Sociocultural factors
- Economic factors
- Legal factors
- (Natural) Environmental factors
- Demographic factors
- International factors

▪ Political Factors

The political factors of the general environment refer to the business-government relationship and the overall political situation of a country. A good business-government relationship is essential to the economy and most importantly for the business. The government of a country intervenes in the national economy through setting policies/rules

for business like import policy, export policy, taxation policy, investment policy, drug policy, competition policy, consumer protection policy, etc. Sometimes, the government pursues a nationalization policy for state ownership of a business.

Another important issue is political stability that affects the operations of business firms substantially. Every decision about investment is highly affected by political stability. Besides, government agencies and pressure groups (special interest groups) are also exercising influences on business operations of firms that have a political character. Managers must be able to understand the implications of the activities of these agencies and groups. Government agencies include different ministries, the office of the Controller of Imports and Exports, Board of Investment, National Board of Revenue, etc.

- **Economic Factors**

The economic factor of an organization is the overall status of the economic system in which the organization operates. The important economic factors for business are inflation, interest rates, and unemployment. These factors of the economy always affect the demand for products. During inflation, the company pays more for its resources and to cover the higher costs for it, they raise commodity prices.

A country's economic conditions affect market attractiveness. The performance of business organizations is affected by the health of a nation's economy. Several economic variables are relevant in determining business opportunities. Examples of economic factors include the trend in economic growth, income levels of population, inflation rate, tax rates for individuals and business organizations, etc.

Business organizations operate their businesses in markets consisting of people. These people are likely to become customers when they have purchasing power. And purchasing power depends on income, prices, savings, debt and availability of credit. Therefore, business organizations must pay attention to the income and consumption patterns of the customers.

- **Socio-Cultural Factors**

Customs, values, traditions and demographic characteristics of the society in which the organization operates are what make up the socio-cultural factors of the general environment. The socio-cultural dimension must be well studied by a manager. It indicates the product, services, and standards of conduct that society is likely to value and appreciate. The standard of business conduct varies from culture to culture and so does the taste and necessity of products and services.

Socio-cultural forces include culture, lifestyle changes, social mobility, attitudes towards technology, and people's values, opinion, beliefs, etc. Managers of business organizations need to study and predict the impact of social and cultural changes on the future of business operations in terms of meeting consumer needs and interests. Business firms must offer products in the society that correspond to their values and attitudes.

- **Technological Factors**

It denotes to the methods available for converting resources into products or services. Managers must be careful about the technological factor. Investment decisions must be accurate in new technologies and they must be adaptable to them.

Technological factors include information technology, the Internet, biotechnology, global transfer of technology and so forth. None can deny the fact that the pace of change in these technological dimensions is extremely fast. Technological changes substantially affect a firm's operations in many ways. The advancement of industrialization in any Country depends mostly on the technological environment. Technology has major impacts on product development, manufacturing efficiencies, and potential competition.

The business organizations facing problems with changing technology are always in more difficulties than those organizations that have stable technologies. The effects of technological changes occur primarily through new products, processes, and materials. An entire industry may be transformed or revitalized due to the use of new technology.

A firm must be aware of technological changes to avoid obsolescence and promote innovation. It means that strategy managers of an organization must be adept in – technological forecasting. Technological forecasting can

- **Legal Factors**

The legal environment consists of laws and regulatory frameworks in a country. Many laws regulate the business operations of enterprises such as the Factories Act, Industrial Relations Ordinance, the Contract Act, and the Company law, just to name a few.

Business laws primarily protect companies from unfair competition and also protect consumers from unfair business practices. Business laws also protect society at large. The laws regarding a merger, acquisitions, industry regulation, employment conditions, unionization, workmen's compensation and the like affect a firm's strategy. Even globalization has caused significant repercussions in the legal environment.

Thus, the business managers must have thorough knowledge about the major laws that protect business enterprises, consumers and society. And the overall situation of law

implementation and justices in a country indicates that there is a favorable situation in business in a country.

- **Natural / Environmental Factors**

Strategy-makers need to analyze the trends in the natural environment of the country where it is operating its business. The most pertinent issues in the natural environment that strategy-makers should consider include the availability of raw materials and other inputs, changes in the cost of energy, levels of environmental pollution, and the changing role of government in environmental protection.

Changes in physical/natural environment, such as global warming, will heavily affect our daily lives and the functioning of our organizations with a variety of consequences.

- **Demographic Factors**

The demographic environment is concerned with a country's population. Specifically, it is related to the population's size, age structure, geographic distribution, ethnic mix, and income distribution. In some countries there is negative population growth and in some countries, couples are averaging fewer than two children. In general, the average age is increasing.

In many countries, rural-urban migration is rampant. These trends suggest numerous opportunities for firms to develop products and services to meet the needs of diversified groups of people in society. Strategy-makers must make an analysis of the demographic issues, especially, size and growth rate of population, age distribution, ethnic mix, educational level, household patterns, and inter-regional movements.

- **International Factors**

Virtually every organization is affected by international factors. It refers to the degree to which an organization is involved in or affected by businesses in other countries. Global society concept has brought all the nation together and modern network of communication and transportation technology, almost every part of the world is connected.

General external environmental factors are interrelated with organizational success. Therefore, strategy-makers need to analyze all of them in an interrelated fashion to understand and visualize the 'whole of the environment.

- **Industry/Task Environment of Organization**

Based on Michael Porter's research results, an industry structure consists of suppliers, buyers, direct competitors, new entrants, and substitutes. The strategy-makers of a firm need to be concerned with the impact of the industry structure on the firm's strategy.

Once the external environmental analysis has been completed, they should embark upon industry analysis. Industry analysis helps them have clear information about what is happening in the industry in which their companies are operating their businesses. Since the industry contains competition, its analysis brings to light the complexities of the competition and the consequent challenges facing the industry.

The industry environmental factors, on the other hand, are those factors in the external environment that specifically reside in a particular industry and affect competition such as suppliers, customers, competitors, and substitute products. The task environment consists of factors that directly affect and are affected by the organization's operations. These factors include suppliers, customers, competitors, regulators and so on. A manager can identify environmental factors of specific interest rather than having to deal with a more abstract dimension of the general environment.

1.2.3 Elements of the industry or task environment

As a manager or entrepreneur, you should be able to identify the various elements of the industry environment so that you can take appropriate steps to respond to them effectively in order to survive in the industry.

Elements of Industry Environment

- Suppliers
- Customers & Buyers
- Competitors & New Entrants
- Regulators
- Substitute Products
- Strategic Partners

The different elements of the task environment may be discussed as under:

- **Suppliers**

Suppliers are the providers of production or service materials. Dealing with suppliers is an important task of management. A good relationship between the organization and the

suppliers is important for an organization to keep a steady following of quality input materials. Suppliers are sources of resources such as raw materials, components, equipment, financial support, services, and office Supplies.

To ensure the long-term survival and growth of a company, it is essential to develop a dependable relationship between a business-firm and its suppliers. Concerning its competitive position with suppliers, a company should address the following questions;

- Are the suppliers' prices competitive?
- Do suppliers offer attractive quantity discounts?
- How costly are their shipping charges?
- Are vendors competitive in terms of production standards?
- Are suppliers' abilities, reputation, and services competitive?
- Are suppliers reciprocally dependent on the firm?

▪ **Customers & Buyers**

“Satisfaction of customer”- the primary goal of every organization. The customer is who pays money for the organization's product or services. They are the peoples who hand them the profit that the companies are targeting.

Managers should pay close attention to the customers' dimension of the task environment because its customers purchase that keeps a company alive and sound. Strategy managers must understand the composition of the company's customers.

With this end in view, they need to develop an exhaustive customer profile of both the present and potential customers. Managers will be in a better position to pragmatically plan the firm's strategic operations, anticipate changes in the size of the markets and anticipate demand patterns. While constructing a customer profile, managers need to use information regarding geographic -location of customers,' demographic characteristics of buyers, psychographic issues and buyer behavior.

▪ **Competitors & New Entrants.**

Policies of the organization are often influenced by the competitors. Competitive marketplace companies are always trying to stay and go further ahead of their competitors. In the current world economy, competition and competitors in all respects have increased tremendously.

A firm needs to analyze the competitive intensity in the industry. It needs to understand the competitive position in the industry to improve its chance of designing winning strategies. Many companies develop a 'competitor profile' to more accurately forecast their short-and-long-term growth and profit/potentials.

A competitor profile may include such variables as market share, product line, the effectiveness of sales distribution, price competitiveness, advertising and promotion effectiveness, location, and age of the facility, production capacity, raw material costs, financial position, etc. The positive effect of this is that the customers always have options and the overall quality of products goes high.

The new entrants are the upcoming competitors of the firm. They are potential competitors because when they enter the industry with similar types of products, the competitive intensity increases.

- **Regulators**

Regulators are units in the task environment that have the authority to control, regulate or influence an organization's policies and practices. Government agencies are the main player in the environment and interest groups are created by its members to attempt to influence organizations as well as the government. Trade unions and the chamber of commerce are common examples of an interest group.

- **Substitute Products**

The producers of substitute products are indirect competitors. Substitute products serve the same categories of customers. They can meet the similar needs of customers, and therefore, emerge, as threats.

For example, when the detergent powder is capable of meeting customer needs in a much better way or even in the same way as the laundry soap does, the detergent powder becomes a strong indirect competitor of laundry soap.

- **Strategic Partners**

They are the organization and individuals with whom the organization is to an agreement or understanding for the benefit of the organization. These strategic partners in some way influence the organization's activities in various ways.

The industry environment is the competitive environment of a business organization. Industry environment substantially affects a firm's business operations, because it is the 'immediate' external environment of the firm, which is also known as 'immediate operating environment.' Every firm operates its business in an industry and therefore its activities are directly affected by any change in the industry and therefore its activities are directly affected by any changes in the industry environment.

Changes in the general environment can have a direct impact on any of the factors in the industry environment. An organization has greater control over the industry's environmental factors than the general environmental factors. One point is to be noted that although the industry environment affects all the firms in the industry, in reality, all firms are not affected equally.

1.3 Influence of Internal and External Environment on Business

Business managers must understand the various facets of the impacts of the internal and external environment. They need to recognize that the external environment has many aspects that can have a significant impact on the operations of a firm. They need to undertake an analysis of the environment regularly.

This is particularly important for the reason that developments/changes in the remote environment influence the business organizations. They also need to understand the influences of changes in the industry environment.

Managers are benefited in several ways when they have a deep understanding and appreciation of the impact of environmental factors on business:

- Knowledge of the environment helps managers identify the direction to which they should proceed. They will travel along with a distinct way of changing direction, whenever necessary. Without an understanding of the environment, managers are like a bicycle without a handlebar – no way of maneuvering while riding on a street.
- Managers can isolate those factors, especially in the external environment, which are of specific interest to the organization.
- Managers can take preparation to deal with a predicted crisis in any of the factors in the environment. They can develop crisis plans for overcoming crises that affect an organization.
- The key to achieving organizational effectiveness is understanding of the environment in which the firm operates its No knowledge or inadequate knowledge is very likely to lead managers to ineffectiveness because of ‘running on the wrong road for reaching the goals.

The environment irrespective of its external or internal nature, a manager must have a clear understanding of them. Normally, a person will not go for a walk in the rain without an umbrella, because he/she understand the environment and know when it rains he/she can get wet.

1.4 Difference between Internal and External Environment

The main points of difference between internal and external environment are listed below:

a) **Meaning**

Internal environment is the environment that is directly connected with the organization. It includes all those factors, conditions and events that are present within the organization and are capable of directly influencing the strategic decisions and operations of the organization. In contrast, external environment comprises of the factors that are outside the organization and which can have an impact on the operations, performance, decisions and profitability of the organization.

b) **Control**

It is possible to control internal environmental factors, whereas the external environmental factors are generally not controllable.

c) **Offers**

Organizations may receive either strengths or weakness from the internal environmental factors. However, external environmental factors either offer opportunities or present threats to the organization.

d) **Effect of changes**

If there is any change in the internal factors, only the company is affected because these factors are specific to that company. On the other hand, any changes in the external factors have an impact on the entire industry and hence, all the organizations functioning in the industry are influenced by these modifications.

e) **Impact on the organization**

Internal environment includes all those factors that are capable of affecting the decisions, operations and objectives of the organization. In contrast, the external environment includes all the factors that have an impact on the growth, profitability, survival, image and expansion of the company in a positive or negative manner.

f) Resources Included

The internal environment consists of different resources, including human, technological, physical and financial. On the other hand, the external environment includes the micro environment and the macro environment, which consists of the economic environment and the non-economic environment, i.e. political, legal, socio-cultural, demographic and global environment.

A comparison of the internal and external environment may be placed as follows:

Internal Environment	VS	External Environment
Meaning		
All those factors that are present within the organization and have a direct impact on its operations		All those factors that are present outside the organization and which do not directly influence its operations
Control		
Internal factors can be controlled by the organization		External factors cannot be controlled by the organization
Offers		
Strengths and weaknesses		Opportunities and threats
Effect of changes		
Specific to the organization		Industry-specific
Impact on the organization		
Affects the operations, decisions and objectives of the organization		Affects growth, survival and profitability of the organization
Resources Included		
Physical, financial, human and technological resources		Micro and macro environment

The main difference between internal and external environment is that the internal environment includes factors that have a direct influence on the organization, while the external environmental factors do not affect the organization directly. In addition, the effect of internal factors is specific to the organization, whereas external factors influence an entire industry and not a specific organization.

It is important for businesses to obtain a thorough understanding of the business environment of which they are a part so that they can survive and sustain a consistent growth in the long term. Comprehending internal and external environmental factors allows companies to align their internal environment with the external environment so as to achieve maximum benefits from the opportunities present in the environment, while avoiding the threats.

A.2 Formal and Informal Organization

An organization is a group of individuals coordinated into different levels of authority and segments of specialization for the purpose of achieving goals and objectives of the organization. An organization is having the attributes of

- Purpose and objectives
- Coordination of people
- Specialization of activities
- Hierarchy of authority

Although there is only one organization, it always has two distinct faces, that is, it can be viewed from two different perspectives—the formal and the informal.

2.1 Formal Organization

Formal organization refers to the organization structure deliberately created by management for achieving the objectives of the enterprise. It is a pattern of activities, processes, human relationships and roles planned and structured in order to accomplish organizational goals.

It's a network of official authority responsibility relationships and communication flows. It is an official and rational structure. According to Chester Barnard, "Formal organization is a consciously coordinated activities of two or more persons towards a common objective. This is the official blueprint of the organization, which is carefully planned, described, and enumerated in terms of roles, positions, hierarchy, and a set of officially sanctioned procedures. Expectations define the official roles; these roles are combined into formal positions and offices; and the roles and offices are arranged into a formal hierarchy of authority according to their relative power and states. This hierarchical structure in turn is governed by an official set of rules, regulations, procedures, and routines.

2.2 Informal organization

Informal organization is a system of interpersonal relations that forms *spontaneously* in organizations. It is not included in the organizational chart or official blueprint. The informal organization is the natural ordering that evolves from the needs of participants as they interact with each other within the organization. In some ways, the informal organization is a shadow of the formal, but it is based on informal relations rather than formal ones.

The informal organization is the interlocking social structure that governs how people work together in practice. It is the aggregate of, norms, personal and professional connections through which work gets done and relationships are built among people who share a

common organizational affiliation or cluster of affiliations. It consists of a dynamic set of personal relationships, social networks, communities of common interest, and emotional sources of motivation. The informal organization evolves, and the complex social dynamics of its members also.

2.3 Elements of the Formal and Informal Organization

Formal Organization	Informal Organization
<ul style="list-style-type: none"> • Hierarchy of Authority • Division of Labor • Formalization • Impersonality • Formal Communication • Formal Leadership 	<ul style="list-style-type: none"> • Hierarchy of Friendships • Division into Cliques • Informal Norms and Procedures • Personal Relations • Informal Communication • Informal Leadership

The two perspectives of organization are often quite different. The formal is clearly based of prescribed official relations whereas the informal is anchored in personal relations that emerge spontaneously as participants interact. Much of the formal is written down and found in documents and charts; however, the informal is virtually never written down, but it exists and, at times, is as important as or more so than the formal.

A.3 Developing a Sound Organizational Climate

3.1 Organizational Climate

A sound organizational climate is a long term proposition. The climate of each organization is set through an organizational behavior system. However, what should be an organizational behavior model for a given organization is not a universal phenomenon. Organization behavior philosophy derives from both fact and value premises.

Fact premises represent how human beings behave, while value premises represent the view of the desirability of certain goals. Thus, organizational climate should represent the philosophy and goals of those who joint together to create the organization. Thus organizational climate exists in a contingency relationship with the organization, meaning that the type of climate that

an organization seeks is contingent upon the type of people it has, the type of technology, level of education and expectations of people in it.

The organizational climate is contingent on the assumptions of the nature of people in general. In dealing with people, the total man concept should be taken which is essentially a combination of three different concepts about the nature of human beings economic, social and self-fulfilling. Such a classification is different from an earlier classification of man in the context of decision making process.

The basis of classification of man into three categories derives from the fact that each class of men has different set of thinking, motivation and hence requires different organizational climate. The economic man is basically motivated by money and long range economic security and hence reliance on economic factors to attract, keep and motivate them. For social man, positive social relations and interactions are a must, within his work environment, man seeks an affinity with fellow employees. The creation of a climate where happy family atmosphere prevails is appropriate for him. The self-fulfilling man seeks achievement, accomplishment and meaning in what he does.

The organizational climate with premium on certain degree of freedom is appropriate for sound organizational climate, managers must understand their people in their organization. The importance must be given to what motivates job performance in general and building an overall climate conducive to motivation, a keen insight into the individual in particular, and tailoring a personal approach to leadership and job design to which the man will respond with commitment. The individual differences suggest that there cannot be any all-purpose organizational climate.

Organizational climate as set of measurable properties of the work environment that are perceived by the people who work and live in it and that influence their motivation and behavior.

Climate characteristics that have been significantly impact an organization's bottom line:-

- Flexibility
- Responsibility
- Standards
- Rewards
- Clarity and team commitment

3.2 Features of Organizational Climate

- general expression of what kind of organization is, how to employee perceive, and have opinion about the organization
- Differentiate from one organization to another

- Provide a separate image and identity of the organization
- Represent the quality of the internal environment
- It is built over long period of time
- Several dimensions such as leadership styles, philosophy of the management, attitudes and approach, quality of the communication etc
- Need for organizational climate
- Organizational climate serves as facilitator to organizational performance
- Organizational variables enables people to evaluate self and others to improve
- Variables included in the organizational climate serve as stimulant to employees activities
- Organizational factors shape and improve employees' perception towards organization and their jobs
- Various researcher on the basis of their research indicated that there exist significant relationship between organizational climate and employee performance and good/healthy organization climate has positive effect on employee attitude, behavior and in turn performance.

3.3 Techniques for Developing a Sound Organizational Climate

The following techniques are generally helpful in improving the climate of the organization:

- **Effective Communication System:**

There should a two-way communication in the organization so that the employees know what is going on and react to it. The manager can modify his decision on the basis of feedback received.

- **Concern for People:**

The management should interest in human resource development. It should work for the welfare of employees and an improvement in their working conditions. For developing a sound organizational climate, the management should have shown concern for the people.

- **Participative Decision Making:**

The management should involve the employees in the decision-making process, particularly those decisions which are related to goal setting and affect them. Participative decision making will make the employees committed to the organization and more Cooperative also.

- **Change in Policies, Procedures, and Rules:**

The organizational climate can also be changed by making changes in the policies, procedures, and rules. It is a time-consuming process but the changes will also be long-lasting if the workers see the changes in policies, procedures, and rules as favorable to them.

- **Technological Changes:**

Generally, workers and employees resist any innovative changes. But where technological changes improve the working conditions of the employees, the change will be easily accepted. The better climate will be there if the management adopts innovative changes in consultation with the employees.

A.4 Organizational Structure and Organization Design

4.1 Organizational Structure

An Organizational Structure defines how activities such as task allocation, coordination, and supervision are directed towards the achievement of organizational objectives. Successful organizational structures define each employee's job and how it fits within the overall system.

Organizational Structure can also be considered as a viewing glass or perspective through which individuals view their organization and its environment.

Management experts use the six basic elements of organizational structure to devise the right plan for a specific company. These elements are: departmentalization, chain of command, and span of control, centralization or decentralization, work specialization and the degree of formalization. Each of these elements affects how workers engage with each other, management and their jobs in order to achieve the employer's goals.

4.2 Key Elements for Proper Organizational Structure

a) **Work Specialization:**

Work specialization ensures that all employees have specific duties that they are expected to perform based on each employee's work experience, education and skills. This prevents an expectation that employees will perform tasks for which they have no previous experience or training and to keep them from performing beneath their capacities.

b) **Departmentalization:**

Departmentalization refers to how the organizational structure groups the company's functions, offices and teams. Those individual groups are typically referred to as departments. Departments are usually sorted on the basis of the kinds of tasks the workers in each department perform, but this is not the only way to create a company's departmental breakdown.

c) Chain of Command:

Most organizations, from businesses to non-profits organizations to the military, utilize a chain of command. This helps eliminate inefficiencies by having each employee report to a single manager, instead of to several bosses. The chain of command is reflected in the organizational structure and affects job descriptions as well as office hierarchies. Managers assign tasks, communicate expectations and deadlines to employees, and provide motivation on a one-to-many basis.

d) Span of control:

An organization's span of control defines how many employees each manager is responsible for within the company. There is no single type of span of control that's ideal for all companies or even for all businesses in a specific industry. The optimal span will depend on a number of factors, including the size of the workforce, how the company is divided into departments and even the company's specific business goals and strategies.

e) Centralization vs. Decentralization:

Organizational structures also rest somewhere on a spectrum of centralization. Generally, more conservative corporate entities adopt a centralized structure. Centralizing authority in a business means that middle management typically is left with little to no input about the goals the company sets. This system is typical in larger corporate organizations, as well as at companies in more conservative industries. On the other hand, a company could adopt a more decentralized approach. A decentralized system allows all levels of management the opportunity to give input on big-vision goals and objectives. There has been a rise in decentralized organizations, as is the case with many technology startups. This allows companies to remain fast, agile, and adaptable, with almost every employee receiving a high level of personal agency.

f) Formalization:

Finally, organizational structures implement some degree of formalization. Formalization is the element that determines the company's procedures, rules and guidelines as adopted by management. Formalization also determines company culture aspects, such as whether employees have to sign in and out upon arriving and exiting the office, how many breaks workers can take and how long those breaks can be, how and when employees can use company computers and how workers at all levels are expected to dress for work.

4.3 Types of Organizational Structures

There are four types of general organizational structure implemented in the real world. Following are the types of Organizational Structures: –

i. Functional Structure:

The first and most common is a functional structure. This is also known as bureaucratic organizational structure and breaks down a company based on the expertise of its workforce. Most small to medium-sized businesses implement a functional organization structure. Dividing the firm into departments containing marketing, sales and operations is the act of using a bureaucratic organizational structure.

ii. Divisional or Multidivisional Structure:

The second type is common in large companies with multiple business units. A divisional or multidivisional structure, a company using this method builds its leadership team based on its products, projects, or the subsidiaries they operate. A good example of this structure is Johnson & Johnson. With thousands of products and lines of business, the company structures itself so that each business unit acts as its own company with its own chairman.

iii. Flatarchy Structure:

Flatarchy, a newer structure, is the third type and is used among many startups. As the name suggests, it flattens the hierarchy and chain of command and gives a lot of autonomy to its employees. Companies that use this type of structure have a high speed of implementation.

iv. Matrix / Matrix Structure:

The fourth and final organizational structure is a matrix structure. It is also the most confusing and the least used. This structure matrixes the employees of different superiors, divisions or departments. For example, an employee working for a matrix company may have duties in both sales and customer service.

4.4 Advantages of Organizational Structure

- The activities of individuals and groups will become more rational, stable and predictable.
- A systematic hierarchy in which people are related in a meaningful order will result. Personal responsibility will be clearly known and the right to act will be defined.
- Persons will be selected on the basis of their ability to perform the required tasks. Simplification and specialization of work assignments is possible in a more effective manner.
- Directional and operational goals and procedures shall be clearly set and energy devoted to their achievement.
- Available resources will be utilized in a most effective way.
- Such an organization can make dealing with individual workers more democratic as patronage and favoritism are reduced.
- Workers will benefit from employed superior-subordinate-relationships in which each job receives the necessary support and direction.

4.5 Disadvantages of Organizational Structure

- Individual creativity and originality can be affected by rigid fixation of duties and responsibilities.
- Workers may be less willing to assume duties that are not formally part of their original job.
- Too often fixed relationships and lines of authority seem flexible and difficult to adjust to meet changing needs.
- They create anxiety among individual workers by putting too much pressure for routine and conformity.
- They become very costly in terms of time and human dignity to enforce organizational rules and regulations.
- Inter-personal communication may slow down or stop as a result of strict adherence to formal lines of communication.
- Organizations fail to take into account the significant differences in workers as human beings.

These deficiencies can be reduced through careful planning and efforts by supervisors to be responsive to human problems created by formal organizational structures.

4.6 Principles of an Organizational Structure

- a) **Principle of Unity of Objectives:** An enterprise should have a clearly defined purpose (or objectives). An organization structure is effective if it facilitates the contribution made by all the individuals in the enterprise towards the attainment of the objectives of the enterprise.
- b) **Principle of Specialization:** The principle of specialization states that each person should play the role for which he is naturally best suited and should not interfere in any other occupation.
- c) **Principle of Coordination:** Coordination is the process which ensures smooth interaction. It is between the forces and functions of the various constituent parts of the organization. Thus, it aims to gain from maximum collaborative effectiveness and minimum friction.
- d) **Principle of Authority:** Authority principle refers to a person's tendency to comply with people in positions of authority, such as government leaders, law-enforcement representatives, doctors, lawyers, professors, and other perceived experts in various fields.
- e) **Principle of Delegation:** According to this principle, if a subordinate is given the responsibility to perform a task, at the same time he should be given sufficient freedom and power to perform that task effectively.
- f) **Principle of Efficiency:** Efficiency requires minimizing the number of unnecessary resources used to produce a given output, including individual time and energy. It is a measurable concept that can be determined using the ratio of total inputs to useful outputs.
- g) **Principle of Unity of Command:** The concept of unity of command requires that each member of an organization must report to one and only one leader. For example, a company's HR team would have just one supervising head, rather than two or three, to systematically set up the work environment. With the help of Unity of Command principle there is a proper hierarchy which is established in the company.

- h) **Principle of Span of Control:** In simple words, span of control means a manageable number of subordinates of a superior. The more subordinates a manager controls, the wider his span of control.
- i) **Principle of Balance:** The principle of balance states that there should be a proper balance between the different parts of the organization. Two-way communication between superiors and subordinates helps to unite the organization to work as an operating system effectively.
- j) **Principle of Personal Ability:** According to this principle, the employees who are deployed should be able to perform the tasks for which they are hired.
- k) **Principle of Flexibility:** The principle of flexibility states that an accounting information system must be able to adapt to changes based on company needs, operations and management.
- l) **Principle of Simplicity:** The organizational structure should be simple so that it can be easily understood by everyone. The rights, responsibilities and position of every person should be clarified so that there is no confusion about these things. It helps the organization to run smoothly.

4.7 Organizational Design

Organizational design is a process of shaping the way organizations are structured and run. Organizational design is a step-by-step methodology which identifies dysfunctional aspects of work flow, procedures, structures and systems, realigns them to fit current business realities/goals and then develops plans to implement the new changes. This includes many different aspects of life at work, including team formation, shift patterns, lines of reporting, decision-making processes, communication channels, and more.

Organizational design and redesign can help any type of organization achieve its goals. Sometimes, large-scale restructuring is required. At other points, more subtle changes in structures and systems can ensure that an organization continues to grow. In this article, we'll look at when and why organization design is necessary, and how it happens in practice. As a result, you'll know how to contribute to the process whenever you get the chance.

4.7.1 Organizational Design: When and Why?

- a) **Something has changed, either inside or outside the business:** Perhaps you have purchased some new technology, or a rival has entered your territory. There may be a significant law change affecting your business. Some factors are exciting, some are worrying, but they all require feedback – and that means some change in the way you work.

- b) **You have set new strategies or goals:** An organization may make a strategic decision to approach its work differently for a number of reasons. It could also change the way we measure success. For example, a publishing company may decide to produce less in print, offer more free content online, and aim to make most of its money from advertising. In this case, it would need to set new goals for website engagement and ad revenue, and implement an organization design process to pursue this new strategy.

- c) **The current design no longer works:** Many aspects of change affecting an organization are gradual. But, over time, a “tipping point” is reached. Perhaps you’ve increased your people’s flexible working options, but problems are starting to show up: absenteeism, deadlines are looming, and a growing sense of inequality across the business. Enough: Your organizational design needs to change.

4.7.2 Hierarchical and Organic Organizational Design

Organizational design is often divided into two distinct styles: hierarchical and organic. The table below shows some of the key characteristics of hierarchical and organic designs; examined in terms of complexity, formality, level of involvement, and communication styles.

Hierarchical structure	Organic structure
A hierarchical organization is an organizational structure where every unit in the organization, except one, is subordinate to another unit.	An organic organizational structure is characterized by an extremely flat reporting structure within an organization.
Mechanical organization structure emphasizes on narrow span of control.	It emphasizes on wide span of control.
It follows hierarchy of command.	Organic organization structure does not follow hierarchy of command.
There is an intensive division of labor and work is divided into specific tasks.	The work is divided into general tasks and there is little or no specialization.
People consider individual goals as different from organizational goals.	There is synchronization of individual goals with organizational goals.
Tasks are performed according to position in the hierarchy. People at lower levels perform comparatively simpler tasks.	Tasks are assigned to people according to their capabilities and skills and not hierarchical positions.
Tasks are performed according to discretions and desires of managers at the top.	Tasks are flexible and keep changing according to situations. They are performed through constant interaction of people.
Communication is hierarchical; orders, instructions and commands flow from top to bottom.	Communication is a network. It flows in all directions in the form of suggestions, advises and information rather than orders.
Mechanistic organization structure expects subordinates to obey and be loyal to superiors and the organization.	Organic organization structure expects commitment to the organizational goals and not obedience from subordinates.
Control is exercised from the top.	There is self-control.
Mechanistic organization structure is an appropriate form of structure for organizations operating in a stable environment.	Organic organization structure is more suitable for organizations operating in a dynamic environment.

A.5 Quality of Work Life (QWL) and Some Related Issues

At the beginning of this century Job specialisation and simplification were popular. Most of the organisations assigned their human resources to narrow jobs, which were supported by a rigid hierarchy with the expectation that their efficiency would be improved. The idea was to minimise the cost by using less skilled human resources that could be trained more easily to do a small part of the whole job.

In implementing this idea, organisations faced excessive division of labour. As a result human resources became socially isolated from their co-workers and ultimately they lost pride in their work and became bored with their jobs. Higher order needs i.e.; social and growth needs remained unsatisfied. Consequently organisation faced high turnover and absenteeism, decline in quality, and alienated human resources.

Conflict often raised as human resources sought to improve their working conditions and organisations failed to respond appropriately. All these happen because human resources themselves are always changing with the changing environment. They become more educated, more prosperous and more independent. In that stage they want to satisfy their higher order need. They want something more than earning their bread. So keeping this in mind organisation gets two reasons for redesigning the jobs for a better Quality of Work Life (QWL):

- Traditional design usually gives less emphasis on human needs
- The need and aspiration of human resources are changing continuously.

5.1 Quality of Work Life (QWL)

Quality of Work Life (QWL) refers to the favourableness and unfavourableness of a total job environment for the human resources. QWL program is a combination of activities that are undertaken by an organisation with a view to improving the conditions of human resources, which affects an individual's experience with an organisation.

Many QWL programs focus on security, safety and health, participation in decisions, opportunities to use and develop talents and skills, meaningful work, control over work time or place, protection from arbitrary or unfair treatment and opportunities to satisfy social needs.

This program has become popular in response to demand from human resources for better working conditions.

In addition, QWL programs are undertaken to increase productivity and quality of output through greater involvement and participation by human resources in decision making that affect their jobs. QWL programs usually gives emphasis on development of human resource skill, reduction of stress and develop more co-operations between man–management relationships. By QWL programs organisation recognises their responsibility to develop jobs and working conditions that are excellent for human resources as well as for the economic health of the organisation.

The major criteria for improving and measuring Quality of Work Life include:

- (1) **Open Communication:** Here organisation gives free access to the information, which are very much needed by the human resources for their decision making.
- (2) **Equitable Reward Systems and Adequate Compensation:** Compensation plays a greater role in the satisfaction of human resources. So, organisation must evaluate how adequate and rationale are pay and benefits in terms of helping human resources maintain an acceptable standard of living for improving QWL.
- (3) **Safe and Healthy Environment:** Physical-working conditions are the most important aspect in measuring QWL. Human resources who spend a lot of time at their workplace consider it an important factor.
- (4) **Opportunity for Careers Growth:** Human resources seek career growth. They tend to release from a job, which don't promise career growth. Organisation must take it in consideration that an individual is satisfied with his career and what career potential exists in the job.
- (5) **Opportunity to Develop Human Capabilities:** An individual is most satisfied, when he gets an opportunity to use and develop his capabilities. So for measuring and introducing QWL organisation need to see to what extent does a job enable human resources to use and develop their skills, knowledge and abilities and undertake tasks that are satisfying.

- (6) **Social Integration in the Work Place:** An organisation can possess supportive work groups and interpersonal openness. Organisation must find the opportunity to relate their human resources to others; advancement based on merit and ensures the existence of equal opportunity.
- (7) **Constitutionalism:** The constitutionalism can be considered as hygiene factor. Though it may not satisfy or motivate the human resources considerably but the absence of it definitely felt by them and may have adverse effect.
- (8) **Work and Quality of Work:** Organisation needs to maintain a balance between work and life away from work. Satisfactory work can influence the QWL of human resources immensely. A challenging work, which utilises the capabilities of human resources, plays an important role in QWL.
- (9) **Social Relevance:** The human resources human resources feel a need to relate their work socially. For increasing QWL organisation need to be viewed as socially responsible by the and be accountable for society's values when developing and implementing its policies concerning human resources, customers, competitors and the community.

5.2 Issues Relating To QWL:

While management wants to improve the facilities and financial benefits, the personnel management task is to identify other specific issues of the Quality of Work Life regarding in his own organisation and work on them. These issues are:

- **Pay and stability of employment:**

Pay without stability of employment cannot satisfy the human resources. So the management should ensure its human resource stability to make them part of the organisation in its real sense.

- **Occupational stress:**

Stress is a condition of strain on one's emotions. Preferring all types of jobs inevitably cause stress, though the intensity may vary from job to job.

- **Organisational health program:**

The idea behind such health center is to develop mental health by maintaining good physical health. This can be done through encouraging the human resources to take up physical exercise, games and sports.

- **Alternative work schedule:**

Each individual may have his own preferences of working hours. The management can introduce schemes for proper use of this concept.

- **Participative management and control of work:**

Participative management is the lifeblood to QWL, which creates a feeling of commitment among the human resources, thus improving QWL.

- **Recognition:**

Appreciate a human resource in public and criticise him in private. Recognition and appreciation is a magic work, which changes anyone's attitudes towards anyone.

- **Superior-Subordinator Relations:**

Relation between boss and subordinate is an important aspect in improving total work culture, productivity and QWL of any organisation.

- **Grievance Procedure:**

Grievance procedure is to be handled carefully, because between the two parties one is bound to dissatisfy.

5.2.9 Adequacy of Resources:

Adequate resources should be ensured to the human resources on work. Inadequate resources may cause stress to human resources that are prepared for work but cannot find resources.

5.2.10 Seniority and Merit in Promotion and Employment:

Either seniority or merits are usually considered for promotion and employment. Management has to consider either one depending upon the attributes of individuals. Sometimes they can also consider both.

5.3 Nature and Strategies of QWL Program:

All parties of organisation i.e. employer, personnel and unions realise the importance of QWL. Employers also take the awareness programs to educate human resources in this regard and then implement QWL improvement program. Considering the major issues relating to quality of work life, different strategies have been developed for its improvement. These are job redesign, job enrichment, job enlargement, career development alternative work schedules etc.

By implementing such changes, the management can create sense of involvement, commitment and togetherness among the human resources, which proves way for better quality of work life. In an organisation jobs redesign is needed for adding the attributes desired by the human resources, and organisation redesign is needed to secure the environment favoured by the personnel. Widely used strategies for improving quality of work life are briefly discussed below:

5.3.1 Alternative Work Schedule:

In this process organisation allows human resources a certain level of freedom to their works and can arrange work schedule for their own convenience. Mainly alternative work schedule includes:

- (a) Flex time (giving human resources some control over their own work schedules)
- (b) Part time employment
- (c) Job sharing where two individuals share the same job, each working part of the day or week, and
- (d) Work at home where the personnel are allowed to do at least part of their jobs at home.

By using flexible work schedules an organisation can reduce absenteeism, increase teamwork and ensure moral improvement of the human resources. At present, organisations realise the need of giving more challenging work, more emphasis on whole task and more opportunity to use the ideas of human resources. Close attention to QWL provides a more humanise work environment. It always attempts to serve the higher-order needs of human resources as well as their basic needs. It also solicits an environment that encourages them to improve their skills. The idea is that-

- Human resources should be developed not only simply used.
- The work environment should not have excessive negative conditions.
- Human resources should not be put under undue stress.
- Human resource's humanities should not be damage or degraded.
- Work environment and work itself should not be threatening.
- The work ultimately should contribute to general social advancement.

5.3.2 Job Enlargement:

Now a day the interest in quality of work life is being accelerated through efforts to change the scope of individual's jobs to motivate them. Job scope has two-dimension viz., breadth and depth. Job breadth is the number of different tasks an individual is directly responsible for. It ranges from very narrow to wide i.e. one task performed repetitively to several tasks. Human resources with narrow job breadth are sometimes given a wider variety of duties in order to reduce their monotony. In order to perform these additional duties a human resource spends less time on each duty.

5.3.3 Job rotation:

Another approach to changing job breadth is called job rotation, which involves periodic assignment of an individual to completely different sets of job activities. Moving human resources from job to job to give them opportunities to perform a variety of tasks is called job rotation. It is low in both impact and complexity because its primary purpose is to move human resources among current jobs. Most often, job rotation focuses on adding variety for reducing personnel's boredom. Job rotation is also an effective way to develop multiple skills in human resources which benefits the organisation while creating greater job interest and career opportunities for the human resource.

5.3.4 Job Enrichment

Job enrichment adds additional motivators to a job to make it more rewarding. It seeks to add depth to a job by giving human resources more control, responsibility, and discretion over how their job is performed. Job enrichment focuses on satisfying higher-order needs, where job enlargement concentrates on adding additional tasks to the human resource's job for greater variety. General result of job enrichment is role enrichment that encourages growth and self-actualisation.

Job enrichment occurs when the work itself is more challenging, when achievement is encouraged, when there is opportunity for growth, and when responsibility feedback and recognition are provided. Management can gather information about what tends to enrich jobs. The two approaches can even be blended, by both expanding the number of tasks and adding more motivators, for a two-dimensional attempt to improve QWL.

In modern management job enrichment is mainly focused for human resources development. As mid and top level human resources always wants to satisfy their higher order need, so organisation prefer to enrich their job rather than only giving the variety. Job enlargement is also work well where management has enough scope to add different type of tasks for each human resource.

Benefits of Job Enrichment

Job enrichment brings many benefits for the human resources. The general result of job enrichment is a role enrichment that ultimately encourages growth and self-actualisation of the human resources. In this approach the job is built in such a way that intrinsic motivation is encouraged. As motivation increases the performance also improves. This situation ultimately provides both a more humanised and a more productive job. Negative effects also tend to be reduced, such as turnover, absences, grievances, and idle time. With all of these organisation can achieve it's objectives (earning profit) more smoothly and can give return in the form of higher salary, bonus and other support to it's human resources. With the enriched job human resource performs better, ultimate greater job satisfaction, and becomes more self-actualised, thus being able to participate in all life roles more effectively and efficiently. In this manner the organisation, human resource and society all can get the optimum benefit. So benefits of job enrichment spread in three areas as individual, organisation and society.

Area	Benefits
Individual:	<ul style="list-style-type: none"> ▪ Growth ▪ Self-actualisation ▪ Job satisfaction
Organisation:	<ul style="list-style-type: none"> ▪ Intrinsically motivated human resource ▪ Better human resource performance ▪ Less absenteeism and turnover Fewer grievances.
Society:	<ul style="list-style-type: none"> ▪ Full use of human resources. ▪ More effective organisations

5.3.5 Job Characteristic Approach:

An organisation can successfully enrich the job by using job characteristic approach. Job characteristic approach to job enrichment that identifies five-core dimension –

- (i) Skill variety
- (ii) Task identity
- (iii) Task significance
- (iv) Autonomy
- (v) Feedback.

Ideally, a job must have all five dimensions to be fully enriched. If one dimension is perceived to be missing, human resources are psychologically deprived and motivation may be reduced.

The core dimensions affect a human resource's perceptual state, which tends to improve performance, satisfaction, and quality of work, and to reduce turnover and absenteeism. Often the managerial and top management jobs are deficient in some core dimensions. Of course there are large individual differences how human resources react to core dimensions, the typical human resource finds them to be basic for internal motivation.

Skill variety allows human resources to perform different operations that often require different skill. Human resources see jobs that are high in variety as more challenging because of the range of skills involved. Task identity, which allows them to perform a complete piece of the work.

When tasks are broadened to product/service or an identifiable part of it, then task identity has been established. Task significance characteristic adds some extra importance to the particular job in relation to other as perceived by the human resources. The key point is that human resources should believe that they are doing something important in their organisation and society.

Autonomy gives human resources some discretion, control over job related decisions, and it appears to be fundamental in building a sense of responsibility in works. Feedback refers to information that tells human resources how well they are performing. It can come directly from the job itself or it can be given verbally by management and other human resources. It can be positive or negative but is best when it is appropriately balanced. It should also be early and continuous, rather than delayed and occasional.

5.4 Limitations and Problems in Implementing QWL Program:

Though there is a strongest support in quality of work life program but still there are some limitations and problems in its application. These are as follows-

- The management may feel that the QWL at present level is satisfied enough and no steps need to be taken to improve it.
- The human resource resists the changes with a preconceived notion that any scheme, the management takes up would be to increase production without extra cost.
- QWL program cannot be applied to all types of situations and all the levels equally. It appears to apply more easily to higher level jobs, which are less likely to be dictated by the technological process.
- If the technology is stable and highly automated the cost of QWL program may be too high in relation to the rewards. With specialised machinery it may not be possible to make all jobs very meaningful.
- Cost is also a barrier to the improvement of QWL. Cost may increase with start up costs (like training cost) and long-term costs as need of more equipment.

- There are also some questions as to whether human resources really want changes especially the program that changes the basic content of their jobs. Different studies show that a high percentage of human resources are not dissatisfied with their jobs and that few want "more interesting" jobs. What these human resources seem to want above all is job security and pay. Moreover, human resources are concerned that changing the nature of tasks to increase productivity may mean a loss of jobs.

- Sometime QWL program also may upset pay relationships. In particular, human resources may expect more than intrinsic satisfaction for the additional duties and responsibilities they assume. They want more money, but a pay increase adds to costs and may upset comparative pay relationship.

- The major problems appear to be the tendency of top managers and personnel specialists to apply their own scale of values for challenge and accomplishment to other human resource's personalities. Some human resources are challenged by jobs that would appear dull to many others.

- Another difficulty is that QWL program is usually imposed on human resource; they are told about it, rather than being asked whether they would like it and how their jobs could be made more interesting.

- Also, there has been little or no support of by union leaders. Some time it appears as a major problem for any QWL program.

5.5 Factors To Be Considered For Making QWL Program Effective:

There are many contingency elements to consider when exploring the possibility of increasing QWL program. Different factors relating to the organisation and human resources also influence the job enrichment program. So for implementing any QWL program management should always keep in mind the following –

- Organisations need a better understanding of what human resource want.

- If productivity increases are the main goal of the program, it must show how human resources will be benefited with that program.

- Human resource likes to be involved, to be consulted, and to be given an opportunity to offer suggestions. They like to be considered as human being.
- Human resource likes to feel that their managers are truly concerned with welfare. Human resources like to know what they are doing and why. They like feedback on their performance. They like to be appreciated and recognised for their work.

From the above discussions with Quality of Work Life approach we ultimately find that this program generally is desirable for both human and organisation performance needs. It helps both human resources and the organisation at the same time. There is a contingency relationship among environment and the QWL programs. A good QWL improvements program can be effective in a situation whereas the same program can fail in other circumstances.

All the methods like alternative work schedule, job enlargement, job enrichment, job rotation, adding job characteristics to a job is worthy with its own characteristics and limitation. It is the management who has to select the best one among these for getting the maximum output of work performance. We also find that QWL program bring costs as well as benefits, and both must be evaluated to determine the desirability of a change.

The main concentration will be given on the net benefits. Job breadth sometime gives more quick result than any other approach. Sometimes increasing of job depth seems to be more applicable. In the present context management concentrates their attention to satisfy higher order need of the human resources. This objective can be achieved by implementing the job enrichment programs for the human resources.

With the existing contingencies in job enrichment managers can successfully implement this program. The best strategy is to study the need for it carefully and then try it in the most appropriate places first. As success is achieved, there can be a gradual move toward more applications. The organisation that suddenly finalises the job enrichment decision and takes a blanket approach to it is likely to generate more problems than it can handle.

A.6 Organizational Behaviour

6.1 Organization

Organization means a structure with its parts so integrated that their relation to each other is governed by their relation to the whole. It also means a system with parts which works together, or a system with parts dependent upon each other. In any organization two important ingredients are parts and their relationship with one another, and with the organization as a whole. The parts consist of human and material resources.

Human resources work on material resources to get a desired result. Not only this, human resources also work on human resources. So, organization is referred to as the structure within which the various factors of an enterprise, men and materials - combine to achieve the objectives of the enterprise. To combine men and materials effectively another element is required and that element is management. Thus organization is the "structural relationship between the various factors of an enterprise". These relationships may be between one individual and another, an individual and his groups, one group and another, individual and the work or activities performed by them, individuals and the material resources used by them to perform their work or activities.

The key elements in organization are people, structure, technology, and the environment in which the organization operates. When people work together in an organization to accomplish an objective, some kind of structure of formal relationships is required. People also use technology to help get the job done, so there is an interaction of people, structure, and technology. In addition, these elements are influenced by the external environment, and they influence it. Each of the four factors affects organizational behavior in banks and business entities.

- People
- Structure
- Technology
- Environment

6.2 Organizational Behaviour

Organizational behaviour is the study and application of knowledge about how people i.e. individuals and as groups-act within organizations. It strives to identify ways in which people can act more effectively. Organizational behaviour is a scientific discipline in which a large number of research study and conceptual developments are constantly adding to its knowledge base. It is also an applied science, in that information about effective practices in one organization is being extended to many others. Organizational behaviour provides a useful set of tools at many levels of analysis. For example, it helps managers look at the behaviour of individuals within an organization. It also aids their understanding of the complexities involved in interpersonal relations, when two people (two co-workers or a superior-subordinate pair) interact. At the next level, organizational behaviour is valuable for examining the dynamics of relationships within small groups, both formal teams and informal groups. When two or more groups need to coordinate their efforts, become interested in inter group relations that emerge. Finally, organizations can also be viewed, and managed, as whole systems that have inter organizational relationships. There are four goals or objectives of studying organization behavior-

- Describe
- Understand
- Predict
- Control

Organizational behavior starts with a set of fundamental concepts revolving around the nature of people and organizations. With regard to people, there are six basic concepts:

- Individual Difference.
- Perception.
- A Whole Person.
- Motivated Behavior.
- Desire for Involvement.
- Value of the Person.

With regard to the nature of organizations, the three key concepts are that they are social systems, they are formed on the basis of mutual interest, and they must treat employees ethically.

- Social Systems.
- Mutual Interest.
- Ethics.

6.3 Individual, Interpersonal and Group Behaviour

Behavior always involves a complex interaction of the person and the situation. Events in the surrounding environment strongly influence the way people behave at any particular time. Yet people always bring something of themselves to the situation. This may be call as personality, attitude. For better understanding of organizational behavior we need to focus on individual. People vary in many ways and these differences are known as individual differences. Employee attitude are very important to organization. When attitudes are negative this is the symptom of underlying problems and contributes towards the cause of forthcoming difficulties in an organization.

6.3.1 Individual Behaviours: The Nature of Employee Attitude

Attitudes are the feeling and beliefs that largely determine hoe employee will perceive their environment, commit themselves to intend actions, and ultimately behave. Employee attitude can be viewed as –

- Job Satisfaction.
 - Elements.
 - Individual Focus.
 - Overall or Multidimensional.
 - Stability of Job satisfaction.
 - Environmental Impact.
 - Importance.
 - Level of Job Satisfaction.
- Job Involvement
- Organizational Commitment

Effect of Employee attitude

- Employee performance.
- Turnover.
- Absence and tardiness.
- Theft.
- Violence.

6.3.2 Interpersonal Behavior

Organization by definition requires people to work together and communicate with one another. Ideally, these interpersonal relationships should be productive, cooperative, and satisfying. In reality managers find that they are not always that way. Almost every working relationship will produce some degree of conflict across time. Whether the conflict will be destructive or constructive depends on the attitudes and skills of the parties. At the same time for knowing peoples interaction with one another we need to know how people interact with one another. The study of these social transactions between people is called transaction analysis. So, for getting a clear understanding of people's interpersonal behavior we need to concentrate on –

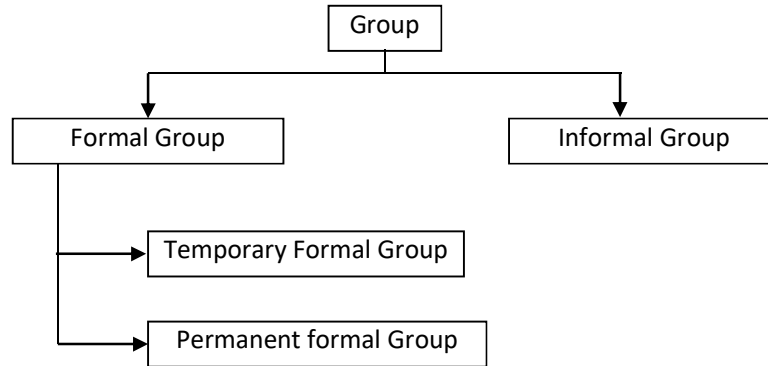
- Conflict in Organization.
- Transaction Analysis.

6.3.3 Group and Group Behavior

Group is a collection of two or more people who share a common definition and evaluation of themselves and behave in accordance with such a definition. It is a collection of people who interact with one another; accept rights and obligations as members and who share a common identity. Basic criteria for a group include:

- formal social structure
- face-to-face interaction
- two or more persons
- common fate
- common goals
- interdependence
- self-definition as group members
- recognition by others

Societies can be seen as large groups consisting of a many of sub-groups. Most managers and organizational leaders recognize the interdependence of employees or other group members and the need for cooperation to accomplish the work. In present days most of the time group and team are used synonymously. But there are some basic differences in terms of understandings, ownership, creativity, contribution, trust, common understandings, personal development, conflict resolution, participative decision making, clear leadership and commitment. There are formal and informal groups.



6.4 Group Dynamics

In group dynamics the behavior of the individuals influence the behavior of the other individuals in the group, and conversely, the behavior of other individuals influence the behavior of the given individuals. The concept of group dynamics has a great significance to the understanding of organizational behavior (OB) because of its focus on the dynamics i.e., interaction and forces of the members of both formal and informal groups in the overall organization. For smooth running of an organization group (both formal and informal group) is necessary. Only formation of group is not enough for successful operation, but group dynamics is also very much needed for having congenial environment in the organization and its successful operation/smooth running.

6.5 Organizational Behavior in the Context of Banks

A critical feature of today's work environment is measuring the extent of competition in the labor market. Therefore, organizations today are aware that the costs of managing their human resources must be accompanied by managing the effectiveness of human resources. That is if they can manage their manpower in such a way that they can use their power to serve the goals of the organization, then the rate of accidents, absences, error rates, and waste will be reduced and manpower will be provided with a proper spirit to provide quality services.

The fact is, since organizational behavior is supposed to examine human interaction, it happens to be very complex and sometimes impossible to analyze some behaviors. Because people exhibit different behaviors in different places and different cultures, and accordingly, the organizational work environment in which a person is placed affects his organizational behavior. Therefore, managers in banks should pay special attention to people's work environment.

In the present era, the intensity of the dynamic capabilities of competitors in the banking industry has led to how to maintain and develop a superior competitive position in relation to strategic capabilities in this industry as a major challenge for bank managers and foresight as the latest. In order to meet this challenge, the tool has rushed to the aid of managers of today's organizations.

The banking industry plays a vital role in shaping the world economy, and the change in key environmental factors in the long-run has forced the industry to embrace a shift in competition. Therefore, by studying and predicting future changes and developments, banks can align their competitive position with these developments with foresight knowledge. Foresight knowledge should be planned as a learning process in the strategic activities and decisions of managers in situations of uncertainty to empower them in turbulent situations and react in a timely manner to environmental threats.

One of the factors that make it difficult to improve organizational behavior in the banking system should be sought in the field of rapid change in this field. In recent years, the presence and expansion of virtual and Internet banking, in general, has changed the service system in the field of banking and human resource management has undergone extensive changes. Accordingly, explaining possible banking scenarios in the coming years is one of the requirements of any training program to further empower organizational forces.

Organizational behavior as one of the organizational values is actually rooted in the culture in which the organization is built. This behavior is intensified and slowed down according to the internal programs and standards of the organization and goes in a certain direction. Among these components, we can mention meritocracy within the organization. Competency models that have been examined many times in the organizational literature in recent years are in fact related to a situation that affects human resource management. A value that, like an umbrella, affects the process of employment, recruitment, training, growth, and reward in the organization and causes a justice-oriented atmosphere to rule the organization.

Another pillar through which organizations such as banks strive to achieve their goals is value creation. Value creation in the bank is concerned with both the internal components of banking, such as attracting capital and financial resources, as well as the growth of organizational forces and customer satisfaction.

Indicative Questions

1. What do you mean by formal organization and informal organization? What are the weaknesses of informal organization? Is informal organization necessary? Give reasons.
2. Explain how an informal organization affects an organization both favorably and adversely. Is informal organization is necessary? Give reasons for your answer.
3. What are key forces of Organizational behavior? As a unit manager of X Bank how can you apply these forces?
4. Describe in brief the fundamental concepts those are the basis of Organizational Behavior. Have these concepts applicability in the context of Bangladesh? Justify your answer.
5. Discuss elaborately the key forces of Organizational Behavior. Among the key forces which one is the most important force? Give reasons for your answer.
6. Briefly discuss the models of organizational behavior. How do you find their applicability in Bangladesh?
7. What is meant by quality of work life? How can you improve the quality of work life?
8. Define the behavioral approach of leadership style. Which one among them do you think best for the organization?

Module B:

*Basic Management Concept, Environment and
Process*

Module B: Basic Management Concept, Environment and Process

B.1 Management Functions and Business

1.1 Management Concept

Management refers to transformation of resources into results. This is the function of combining human and material resources, putting them in use and transforming these resources into results. Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manager irrespective of his level or status.

The aim of management is to achieve predetermined goals and create surplus. It involves group efforts. Coordination and authority are the essence of management. Management is needed in any kind of organization. Thus management is related to organization. An organization has four elements. These are 1) People (knowledge, skill, attitude, social information etc.), 2) Task (activities, objectives, goals, target etc.), 3) Structure (hierarchy, departmentation, decentralization, control, information system etc.) and 4) Techniques (specialization, process etc.)

1.2 Functions of management

Different experts have classified functions of management. According to George & Jerry, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”.

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword 'POSDCORB' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting.

But the most widely accepted are functions of management given by KOONTZ and O'DONNEL that are Planning, Organizing, Staffing, Directing and Controlling.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.

a) **Planning**

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals.

According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making.

Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

b) **Organizing**

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals.

According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

c) **Staffing**

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc.

The main purpose of staffing is to put right man/woman on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donnell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed under the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development
- Remuneration
- Performance Appraisal
- Promotions & Transfer

d) **Directing**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work.

Direction is that inter-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

e) **Controlling**

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur.

According to Theo Haimann, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”.

According to Koontz & O’Donell “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

- Establishment of standard performance.
- Measurement of actual performance.
- Comparison of actual performance with the standards and finding out deviation if any.
- Corrective action.

B.2 Business Processes that Create Value for an Organization

A business process is a collection of business tasks and activities that when performed by people or systems in a structured course, produces an outcome that contributes to business goals. In this article, we teach the definition of business processes and look at its advantages, examples, and related business terms.

Processes are everywhere in a business. From onboarding new employees to exit interviews, vendor invoicing, and sales, every business outcome is a result of repeatable tasks and activities.

Some of these processes are executed strictly within the documented guidelines, while some are attempted with more flexibility. This differs based on the priority and importance of the business outcome derived from the process.

Nevertheless, a business cannot function without the proper execution of its processes. In this article, we will dig deeper into the concept of a business process, its examples, advantages, references, and importance in your business operations.

2.1 Business Process

A business process is defined as a collection of business tasks and activities that when performed by people or systems in a structured course, produce an outcome that contributes to the business goals. A business process includes at least one of, but not limited to, the following elements:

- task/ activity
- system
- employee(s)
- workflow
- data

Business processes are invented to derive and contribute to organizational goals. The continuous and repeated execution of business processes is pivotal to successful business operations and business growth.

Business process structures can be simple or complex, based on the elements involved in the process. Through every business process, a business strives to achieve certain goals.

Some key attributes that distinguish business processes from other business tasks and activities are:

- a process is repeatable
- a process is flexible and not rigid
- a process is specific and has established start and endpoints
- a process is measurable

To understand this better, let us take an example of the employee off boarding process, which has the following steps:

- acknowledging the resignation/termination
- negotiation with the employee for retaining him
- notice period and final settlement procedures
- planning for pending projects and assigned tasks
- hand over and knowledge transfer of project and company details
- exit interview

These are the most common activities involved globally in an employee off boarding process. Through acknowledgment and negotiation discussions, the business tries to reason with and retain the employee. The notice period and final settlement procedures help the employee and company get clarity on the terms of the contract pending after the resignation. The project planning and handover activities help the business make sure that daily processes are not affected due to the resignation of the employee. Finally, the exit interview provides the business an opportunity to improve with detailed feedback on the company operations and policies.

Business processes are the backbone of a business operations, which is why improving them is of strategic importance to the business. According to Gartner, implementing a business process management strategy increases the success rate of the projects by 70%.

Organizations around the globe are investing a significant amount of time and money to manage and improve their business processes.

Business processes are often confused with projects and procedures. Processes are finite, flexible, and repeatable, and generate value post their execution. Let us understand how they differ from projects and procedures.

2.2 Processes vs Procedures

A process is a flow of business activities that are connected toward the achievement of a business outcome, whereas a procedure is a prescribed way of undertaking a process or part of a process. While a process is a set of defined actions, a procedure is a set of instructions that are detailed in nature.

For instance, onboarding a new employee in your organization is a process. It is focused on introducing the company to the new person and familiarizing them with company policies, culture, and teams.

Whereas onboarding documentation is a procedure. It has a detailed set of instructions related to documents, signatures, and agreements.

To manage and improve your business processes, you must understand them better. Let us take a look at some more examples of business processes, their advantages, and context with other business practices.

Processes vary depending upon the type, industry, location, etc., of a business, but there are a few processes that are practiced across all these segments of businesses around the globe. To make this easy to understand, we will look at examples of such processes.

■ Sales process

Making a sale is a fundamental business process across various industries, offerings, and other segments. The common process observed by most businesses involves the following steps:

- sharing the sales proposal
- sending quotes
- negotiations
- receiving orders for product/service
- updating records of sales
- delivery of product/service
- billing
- payment

These are repetitive steps and the workflow and structure of the process are flexible based on the business.

A few more examples of business processes are:

- recruitment process
- invoicing process
- order processing
- customer onboarding process
- accounting process
- market research process
- product development process

2.3 Tips to help team perform better

■ Customer service

Customer service is another important process that is a part of global business operations. It involves the following steps:

- receive customer complaints/issues through CRM
- acknowledge the customer concern
- login details of the issue in the CRM system
- resolve the issue
- communicate status to customer

2.3 Common Terms Related To Business Processes

We are listing down a few common business terms that are in direct content with business processes:

- **Business Process Management**

Business process management is defined as a discipline in operations management in which people use various methods to discover, model, analyze, measure, improve, optimize, and automate business processes.

- **Business Process Improvement**

Business Process Improvement is defined as a management practice used to improve the efficiency and effectiveness of business processes by discovering, mapping, documenting, analyzing, and redesigning processes. We will learn more about why you should invest in improving your business processes further in this article.

- **Business Process Mapping**

Business process mapping is defined as the activity of creating a workflow diagram of a process to gain a clear understanding of the process and how it overlaps with other processes. It is a business process documentation tool that uses visual aids to document and communicate the details of a process across the company.

- **Business Process Documentation**

Business process documentation is the process of outlining a detailed description of how a process needs to be executed. It is a technique undertaken by businesses to make their processes learnable, viewable, and improvable.

- **Business Process Discovery**

Business process discovery is defined as a set of techniques that build a representation of an organization's current business processes, which include their workflows, structures, and elements.

- **Business Process Automation**

Business process automation is defined as the practice of using technology to automate complex and redundant business processes and workflows. It helps businesses save manual efforts, reduce costs, improve efficiency, and optimize process performance.

- **Business Process Handoffs**

Business process handoffs are defined as the transfer of information, responsibilities, or people in your business from one entity to another. They are critical to the smooth running of your business operations in case of employee resignations, team restructures, etc.

2.4 Need for improving Business Processes

Effective and efficient processes are the key to unleash the growth and sustainability of your business. The surveys report indicate that businesses have made process improvement a priority in their overall business strategies. Here are a few reasons to get you started with business process improvement:

- It helps you save costs
- It boosts productivity within your teams
- It enhances the customer experience
- It helps you live a better life

B.3 Time and Stress Management

3.1 Time Management

Time is a kind of resource which has continued existence and which cannot be stored or accumulated for future use. Time management refers to the process of managing things according to time that one has at his disposal. In other words, time management means the efficient use of one's time so that he can be effective in achieving his goals by finishing his work within specific time. Time management considered as an important activity of human being because time is a scarce resource, it is perishable, and it cannot be stored or accumulated like money or other materials. On the other hand to minimize wastage of time and maximum utilization of time we need proper time management. Time management play vital role in increase efficiency and productivity. Now a day's time is considered as money.

Time management is the act of taking conscious control over the amount of time spent on specific activities. We exercise time management to increase productivity, effectiveness and efficiency. We practice time management skills and use tools and techniques to aid us when accomplishing tasks, projects or working toward goals and deadlines.

Time management is about effective scheduling of our time, goal setting, prioritizing and choosing what to do and not to do, delegating tasks, analyzing and reviewing our spent time, organizing our workspace, keeping our concentration and focus at our work, motivating ourselves to work towards a goal.

Time management is so important because it is the number one skill a person needs to learn if he wants to become successful. If we study and practice time management we can take our life in our own hands. We are in control and we can decide where we want to go. Practicing time management techniques has lots of benefits. Once we get control over it, we can work more, learn faster and have more relax time. In addition to that-

- **It offers extra productive hours**

Because of better time management, we gain extra productive hours. We tend to be more disciplined when at work instead of talking about gossip with our co-workers or aimlessly browsing the internet. For example, if we have 1 extra productive hour in a day. That's 5 extra hours in a working week and around 250 hours in a whole year, that's 6 extra weeks

of work in a whole year. So, what we could do in all that extra time. We could be much more successful than our coworkers and competitors who don't use time management skills.

- **Efficiency and productivity increased**

We work harder in the same timespan as another person. More work done, means more things learned. Therefore, we will gather much more experience than others for the same time invested. We will learn faster how to do our work faster. We will be more focused and be able to pay more attention to our work. We will progress more rapidly than the other who doesn't use time management skills.

- **May be exercised more control over life**

When we practice time management, we can control the way our life goes. We have a better perception of what work we can do and what will be done. We can be a better organized person and prevent deadlines from becoming a problem. By utilizing time properly we can gain more freedom because we are less dependent on outside events.

- **Allow Spending more time for enjoyment**

If we love life, we need to practice time management. Because it allows us to enjoy life to the fullest, do what we want to do and experience what we want to experience. As our working hours are much more productive, we can actually work less while achieving more. This results in more free time to spend with our family and doing leisure activities. Time Management plays a very important role not only in organizations but also in our personal lives.

3.1.1 Elements of Time Management:

- a) Effective Planning
- b) Setting goals and objectives
- c) Setting deadlines
- d) Delegation of responsibilities
- e) Prioritizing activities as per their importance
- f) Spending the right time on the right activity

a) **Effective Planning**

Plan your day well in advance. Prepare a To Do List or a “TASK PLAN”. Jot down the important activities that need to be done in a single day against the time that should be allocated to each activity.

High Priority work should come on top followed by those which do not need much of your importance at the moment. Complete pending tasks one by one. Do not begin fresh work unless you have finished your previous task. Tick the ones you have already completed. Ensure you finish the tasks within the stipulated time frame.

b) **Setting Goals and Objectives**

Working without goals and targets in an organization would be similar to a situation where the captain of the ship loses his way in the sea. Yes, you would be lost. Set targets for yourself and make sure they are realistic ones and achievable.

c) **Setting Deadlines**

Set deadlines for yourself and strive hard to complete tasks ahead of the deadlines. Do not wait for your superiors to ask you every time. Learn to take ownership of work. One person who can best set the deadlines is you yourself. Ask yourself how much time needs to be devoted to a particular task and for how many days. Use a planner to mark the important dates against the set deadlines.

d) **Delegation of Responsibilities**

Learn to say “NO” at workplace. Don’t do everything on your own. There are other people as well. One should not accept something which he knows is difficult for him. The roles and responsibilities must be delegated as per interest and specialization of employees for them to finish tasks within deadlines. A person who does not have knowledge about something needs more time than someone who knows the work well.

e) **Prioritizing Tasks**

Prioritize the tasks as per their importance and urgency. Know the difference between important and urgent work. Identify which tasks should be done within a day, which all

should be done within a month and so on. Tasks which are most important should be done earlier.

f) **Spending the right time on right activity**

Develop the habit of doing the right thing at the right time. Work done at the wrong time is not of much use. Don't waste a complete day on something which can be done in an hour or so. Also keep some time separate for your personal calls or checking updates on Facebook or Twitter. After all human being is not a machine.

3.1.2 Time Wasters or Barriers of Time Management

- Poor communication (written and verbal)
- Procrastination
- Inability to say 'no'
- Worry & stress
- The disorganized personality
- Failure to delegate
- Inadequate planning

3.1.3 Process of Time Management

1. Set your own priorities
 - Personal
 - professional
2. Determine your goals for each priority
3. Plan the steps for goal attainment
4. Allocate time appropriately for each step
5. Use time management tools/techniques

3.1.4 Time Management Matrix

Proper time management is essential for boosting personal productivity and company success. There are several methods available to you. David Allen’s “Get Things Done (GTD)” and the Stephen Covey Time Management Matrix are the most popular. The Stephen Covey Time Management Matrix is an excellent approach for directing your attention to the things most important to your company and personal development. Stephen Covey’s Matrix, is a popular tool because of its ease in visualizing how and where you should spend your time.

Stephen Covey’s Matrix

	Urgent	Not Urgent
Important	I Activities <ul style="list-style-type: none">- Crisis- Pressing Problems- Deadline driven Projects	II Activities <ul style="list-style-type: none">- Preparation- Relationship Building- Planning- Searching New opportunities
Not Important	III Activities <ul style="list-style-type: none">- Interruptions- Some mail, Meetings- Some calls- Popular Activities	IV Activities <ul style="list-style-type: none">- Details- Some Phone Calls- Time Waster- Pleasant activities

Source: The 7 Habits of Highly Effective People, by Stephen Covey

Covey’s Matrix is a box divided into four regions, or ‘quadrants,’ each representing how your work time is divided based on significance and urgency. The matrix as a whole symbolizes your time. Therefore its size cannot be modified, but the size of each quadrant may be changed based on how much time you spend in it. The main goal is to spend as much time as possible in quadrant two while spending less time in the others. According to Covey, this is the fundamental reality underlying time management. Each quadrant has a unique feature that assists you in prioritizing your activities and obligations. These are the four quadrants:

Quadrant 1: Urgent and important

Q1 entails obligations or activities that are important in nature and demand immediate attention. Because of their urgency and significance, the things in this quadrant may also be stressed. Thus, being aware of these activities and classifying them properly will guarantee you concentrate the required time and effort on them.

Quadrant 2: Not urgent but important

Q2 entails focusing on activities that will help you build a feeling of discipline and dedication and identify and work on things over which you have control. If something is significant, it adds to your purpose, values, and top priorities.

Quadrant 3: Urgent but not important

Activities in Q3 are urgent and take on some significance at the moment. You may most likely decrease or eliminate these elements from your process. Some individuals spend a lot of time in Quadrant III, “urgent but not important,” thinking they’re in Quadrant I. They spend most of their time reacting to urgent situations, believing they are also essential. However, the fact is that the importance of these issues is frequently determined by the priorities and expectations of others.

Quadrant 4: Not urgent and not important

Tasks in Q4 are more likely to be eliminated or decreased altogether. It is critical to determine which things belong in this quadrant so that you can designate which activities have low priority.

Effective individuals avoid Quadrants III and IV since they aren’t significant, whether urgent or not. They also reduce the size of Quadrant I by spending more time in Quadrant II. You need a tool that promotes, motivates, and really assists you in spending the time we need in Quadrant II on prevention rather than disasters. The easiest method to accomplish this, according to Stephen Covey, is to arrange our life on a weekly basis.

3.1.5 Benefits of using the Time Management Matrix

Using the Stephen Covey Time Management Matrix in the workplace can offer a variety of advantages, including:

- **Increased productivity:** The order of this strategy might help you select what to prioritize in your life and how to handle these activities efficiently. Having a structured and prioritized task list might help you finish more and the most important things in the same amount of time.
- **Habits:** This matrix might assist you in determining which quadrants you spend the most of your time in and assessing your own behavior. You might then form new habits of concentrating on Q1 and Q2 things.
- **Work-life balance:** With more effective habits at work, you can devote more time to the activities that are important to you outside of work.
- **Improved planning abilities:** Using this matrix to properly prioritize activities can also assist you in determining clear short-term goals that can be accomplished within specific periods. This can help you plan initiatives and long-term goals more effectively.

3.2 Stress Management

Stress is the general term applied to the pressures people feel in life. The presence of stress at work is almost inevitable in many jobs. However, individual differences account for a wide range of reactions to stress; a task viewed as challenging by one person may produce high levels of anxiety in another. When pressure begins to build up, it can cause adverse strain on a person's emotions, thought processes, and physical condition. When stress becomes excessive, employees develop various symptoms of stress that can harm their job performance and health, and even threaten their ability to cope with the environment. People who are stressed may become nervous and chronically worried. They are easily provoked to anger and are unable to relax. They may be uncooperative or use alcohol or other drugs excessively. Although these conditions also occur from other causes, they are common symptoms of underlying stress.

Stress also leads to physical disorders, because the internal body system changes to try to cope with stress. Some physical disorders are short-range, such as an upset stomach. Others are longer ranging, such as a stomach ulcer. Stress over a prolonged time also leads to degenerative diseases of the heart, kidneys, blood vessels, and other parts of the body. It can result in tension headaches. Therefore, it is important that stress, both on and off the job, be kept at a level low enough for most people to tolerate without developing either emotional or physical disorders.

There is emerging evidence that in some situations an organization can be held legally liable for the emotional and physical impact of job stress. Poor working conditions, sustained conflicts with supervisors, traumatic events, or intentional harassment of employees sometimes results in anguish, neuroses, or even suicide. If liability is established, employees could claim benefits under workers' compensation laws, as well as sue for financial damages.

3.2.1 Extreme Products of Stress:

Stress can be either temporary or long-term, either mild or severe. The effects on an employee depend mostly on how long its causes continue, how powerful they are, and how strong the employee's recovery powers are. If stress is temporary and mild, most people can handle it or at least recover from its effects rather quickly.

- **Burnout:**

Temporary stresses are some major pressures that result in stress that is sustained for long periods. Problems predictably arise when high intensity stress continues for an extended

duration. The human body cannot instantly rebuild its ability to cope with stress once it is depleted. As a result people become physically and psychologically weakened from trying to combat it. This condition is called burnout situation, in which employees are emotionally exhausted, become detached from their clients and their work, and feels unable to accomplish their goals.

- **Trauma:**

Another severe product of stress, called trauma, occurs following a major threat to one's security. The event could be a natural disaster, an organizational crisis, dramatic employee abuse by the employer, or personal job loss. Three types of trauma that have achieved notoriety in recent years-

- Workplace trauma,
- Layoff survivor's sickness, and
- Post-traumatic stress disorder

3.2.2 Causes of Stress:

Conditions that tend to cause stress are called stressors. Although even a single stressor may cause major stress, usually stressors combine to pressure an employee in a variety of ways until stress develops. The major sources of employee stress are evenly divided into two factors, this are-

- Organizational factors or Job-Related Causes of Stress
- The non-work environment.

- **Job-Related Causes of Stress:**

Almost any job condition can cause stress, depending on an employee's reaction to it. For example, one employee will accept a new work procedure and feel little or no stress, while another experiences overwhelming pressure from the same task. Part of the difference lies in each employee's experiences, general outlooks, and expectations (which are all internal factors). There are, however, a number of job conditions that frequently cause stress for employees. Major ones are

- Work overload
- Time pressures, time deadlines

- Poor quality of supervision
- Insecure job climate
- Inadequate authority to match responsibilities
- Role conflict and ambiguity
- Differences between company and employee values
- Change of any type, especially when it is major or unusual
- Frustration

3.2.3 Stress and Job Performance

Stress can be either helpful or harmful to job performance, depending on its level presents a stress-performance model that shows the relationship between stress and job performance. When there is no stress, job challenges are absent and performance tends to be low. As stress increases, performance tends to increase, because stress helps a person call up resources to meet job requirements. Constructive stress is a healthy stimulus that encourages employees to respond to challenges. Eventually, stress reaches a plateau that corresponds approximately with a person's top day-to-day performance capability. At this point additional stress tends to produce no more improvement. If stress becomes too great, it turns into a destructive force. Performance begins to decline at some point because excess stress interferes with performance. An employee loses the ability to cope; she or he becomes unable to make decisions and exhibits erratic behavior. If stress increases to a breaking point, performance becomes zero; the employee has a breakdown, becomes too ill to work, is fired, quits, or refuses to come to work to face the stress. When tension on an employee is either too high or low, the employee's performance will tend to deteriorate. The managerial challenge is to monitor tension levels and make periodic adjustments.

3.2.4 Stress and Job Performance Stress Vulnerability

Two major factors help determine how stress will affect employee performance differently across similar jobs. Worker vulnerability to stress is a function of both internal (organizational) and external (non-work) stressors.

- **Stress threshold:**

One internal factor is an employee's stress threshold the level of stressors (frequency and magnitude) that the person can tolerate before negative feelings of stress occurs and adversely affects performance. Some people have a low threshold, and the stress of even relatively small changes or disruptions in their work routines causes a reduction in performance.

- **Perceived Control:**

The second internal factor affecting employee stress is the amount of perceived control they have over their work and working conditions. Employees who have a substantial degree of independence, autonomy, and freedom to make decisions seem to handle work pressures better.

- **Type A and Type B People:**

Stress vulnerability is often related to type A and B characteristics.

- Type A people are aggressive and competitive, set high standards, are impatient with themselves and others, and thrive under constant time pressures. They make excessive demands on themselves even in recreation and leisure. They often fail to realize that many of the pressures they feel are of their own making rather than products of their environment. Because of the constant stress that they feel, some type A's are more prone to physical ailments related to stress, such as heart attacks.
- Type B people appear more relaxed and easygoing. They accept situations and work within them rather than fight them competitively. Type B people are especially relaxed regarding time pressures, so they are less prone to have problems associated with stress. Still, type B individuals can be highly productive workers who meet schedule expectations; they simply obtain results in a different manner.

3.2.5 Approaches to Stress Management

Both organizations and individuals are highly concerned about stress and its effects. In attempting to manage stress, they have three broad options, three approaches:

- Prevent or control
- Escape from it
- Learn to adapt

Organizations can seek to improve managerial communication skills, empower employees through participation, and redesign jobs to be more fulfilling, or implement organization development programs. Some employees can escape stress by requesting job transfers, finding alternative employment, taking early retirement, or acquiring assertiveness skills that allow them to confront the stressor. Several approaches also exist for coping with stress. These often involve cooperative efforts among employees and management and may include social support, relaxation efforts, biofeedback, and personal wellness programs.

- Social Support.
- Relaxation.
- Biofeedback.
- Sabbaticals
- Personal Wellness

Indicative Questions

1. What are the primary functions of business management? Explain in brief.
2. Which are the major factors that should be included in Time Management.
3. Explain with examples the time management matrix.
4. Define stress. Does stress influences job performance.
5. Explain different stress management techniques. Does stress density depends on type of people?
6. Explain the components of the internal and external environment.

Module C:

Human Resource Management and Staffing

C.1 Human Resource Management in Banks

1.1 Human Resources Management (HRM)

Human resource management (HRM) is the process of selecting and retaining people in an organization. It also includes training, compensation, development of HR policies and strategies to retain them. As a field, HRM has undergone many changes over few decades. Previously HRM meant processing payroll, sending birthday gifts to employees, arranging company outings, and making sure forms were filled out correctly i.e. It was more of an administrative role rather than a strategic role.

It's necessary to point out here, at the very beginning of this text, that every manager has some role relating to human resource management. Just because we do not have the title of HR manager doesn't mean we won't perform all or at least some of the HRM tasks. For example, most managers' deal with compensation, motivation, and retention of employees—making these aspects not only part of HRM but also part of management. As a result, this book is equally important to someone who wants to be an HR manager and to someone who will manage a business.

1.2 The Role of HRM

Keep in mind that many functions of HRM are also tasks other department managers perform, which is what makes this information important, despite the career path taken. Most experts agree on several key roles that HRM plays in organizations.

1.2.1 Staffing

You need people to perform tasks and get work done in the organization. Even with the most sophisticated machines, humans are still needed. Because of this, one of the major tasks in HRM is staffing. Staffing involves the entire hiring process from posting a job to negotiating a salary package.

Within the staffing function, there are four main steps:

- **Development of a staffing plan.** This plan allows HRM to see how many people they should hire based on revenue expectations.

- **Development of policies to encourage multiculturalism at work.** Multiculturalism in the workplace is becoming more and more important, as we have many more people from a variety of backgrounds in the workforce.
- **Recruitment.** This involves finding people to fill the open positions.
- **Selection.** In this stage, people will be interviewed and selected, and a proper compensation package will be negotiated. This step is followed by training, retention, and motivation.

1.2.2 Development of Workplace Policies

Every organization has policies to ensure fairness and continuity within the organization. One of the jobs of HRM is to develop the verbiage surrounding these policies. In the development of policies, HRM, management, and executives are involved in the process. For example, the HRM professional will likely recognize the need for a policy or a change of policy, seek opinions on the policy, write the policy, and then communicate that policy to employees. It is key to note here that HR departments do not and cannot work alone. Everything they do needs to involve all other departments in the organization. Some examples of workplace policies might be the following:

- Discipline process policy
- Vacation time policy
- Dress code
- Ethics policy
- Internet usage policy

1.2.3 Compensation and Benefits Administration

HRM professionals need to determine that compensation is fair, meets industry standards, and is high enough to entice people to work for the organization. Compensation includes anything the employee receives for his or her work. In addition, HRM professionals need to make sure the pay is comparable to what other people performing similar jobs are being paid. This involves setting up pay systems that take into consideration the number of years with the organization, years of experience, education, and similar aspects. Examples of employee compensation include the following:

- Health Benefits
- Pay
- Retirement plans
- Stock purchase plans
- Vacation time
- Sick leave
- Bonuses
- Tuition reimbursement

1.2.4 Compensation and Benefits Administration Retention

Human resource people must be aware of all the laws that affect the workplace. An HRM professional might work with some of these. HRM Retention involves keeping and motivating employees to stay with the organization. Compensation is a major factor in employee retention, but there are other factors as well.

Ninety percent of employees leave a company for the following reasons:

- The job they are performing
- Challenges with their manager
- Poor fit with organizational culture
- Poor workplace environment

Despite this, 90 percent of managers think employees leave as a result of pay. As a result, managers often try to change their compensation packages to keep people from leaving, when compensation isn't the reason they are leaving at all.

1.2.5 Training and Development

Once we have spent the time to hire new employees, we want to make sure they not only are trained to do the job but also continue to grow and develop new skills in their job. This results in higher productivity for the organization. Training is also a key component in employee

motivation. Employees who feel they are developing their skills tend to be happier in their jobs, which results in increased employee retention.

Examples of training programs might include the following:

- ▶ Job skills training, such as how to run a particular computer program
- ▶ Training on communication
- ▶ Team-building activities
- ▶ Policy and legal training, such as sexual harassment training and ethics training

1.2.6 Dealing with Laws Affecting Employment

Human resource people must be aware of all the laws that affect the workplace. An HRM professional might work with some of these laws:

- Discrimination laws
- Health-care requirements
- Compensation requirements such as the minimum wage
- Worker safety laws
- Labor laws

The legal environment of HRM is always changing, so HRM must always be aware of changes taking place and then communicate those changes to the entire management organization. Rather than presenting a chapter focused on HRM laws, we will address these laws in each relevant chapter.

1.2.7 Worker Protection

Safety is a major consideration in all organizations. Oftentimes new laws are created with the goal of setting federal or state standards to ensure worker safety. Unions and union contracts can also impact the requirements for worker safety in a workplace. It is up to the human resource manager to be aware of worker protection requirements and ensure the workplace is meeting both federal and union standards.

Worker protection issues might include the following:

- Chemical hazards
- Heating and ventilation requirements
- Use of “no fragrance” zones
- Protection of private employee information

1.2.8 Communication

Besides these major roles, good communication skills and excellent management skills are key to successful human resource management as well as general management.

1.2.9 Awareness of External Factors

In addition to managing internal factors, the HR manager needs to consider the outside forces at play that may affect the organization. Outside forces, or external factors, are those things the company has no direct control over; however, they may be things that could positively or negatively impact human resources.

External factors might include the following:

- Globalization and offshoring
- Changes to employment law
- Health-care costs
- Employee expectations
- Diversity of the workforce
- Changing demographics of the workforce
- A more highly educated workforce
- Layoffs and downsizing
- Technology used, such as HR databases
- Increased use of social networking to distribute information to employees

1.3 Importance of HRM in Banks

Human Resource Management is particularly important for banks which is a service industry. Management of people and management of risk are two key challenges facing banks. How you manage the people and how you manage the risks determines the success in the banking business. Efficient risk management may not be possible without efficient and skilled manpower. Banking has been and will always be a 'People Business'. Though pricing is important, there may be other valid reasons why people select and stay with a particular bank. Banks must try to distinguish themselves by creating their own niches or images, especially in transparent situations with a high level of competitiveness. In coming times, the very survival of the banks would depend on customer satisfaction. Those who do not meet the customer expectations will find survival difficult. Banks must articulate and emphasize the core values to attract and retain certain customer segments. Values such as 'sound', 'reliable', 'innovative', 'international', 'close', 'socially responsible', etc. need to be emphasized through concrete actions on the ground and it would be the bank's human resource that would deliver this.

1.3.1 Key Issues of Managing Human Resources in Banks

Four key common HRM issues of banks may be categorized as (a) Planning; (b) Acquiring the right people; (c) Developing and Retaining the people; and (d) Handling Employee Exit.

a) **Planning**

It all begins with having a manpower plan. How many banks can claim to have a proper manpower plan that captures the type of people it requires, the level at which they are required, clearly defined roles for everyone, etc. Manpower plans should follow a lifecycle approach, that is, from the time of recruitment of an employee to his retirement. Further, this needs to be integrated with the Business Plan and strategy of the bank. Are we having a Business Strategy or Business Plan needs to be addressed first. 8. While planning your people requirement it is very important for you to develop your 'employer brand', that is, your reputation as an employer to attract, engage and retain talented candidates and employees. Banks need plans for the following:

- A steady, carefully calibrated recruitment programme,
- As rapid technological changes transform business – continuous skill up-gradation.

- A new generation of the workforce will be working alongside an older generation as a team.

b) Acquiring the Right People

It is about employing good but suitable people. Is the mad rush to top campuses justified? Will the people recruited from top management institutes understand the Financial Inclusion drive? Will these people have empathy towards poorest of the poor? It is often heard bank heads talking about the challenge of finding people keen to work in rural areas. Does it not indicate that there is something amiss in the way we recruit people? Is it not better to recruit people from smaller cities? While we are busy testing the people for problem-solving skills on paper, there are opinions that these do not necessarily mean problem-solving skills on the ground. In many instances, recruitment tests do not focus on testing the psychological abilities of candidates to ensure that only the ones with right attitude towards the job are selected. This is why we often end up with people having brilliant minds but incapable of actually delivering to induct specialists at various levels with specific skill sets and experience pool is an option to banks. In this process identifying right and competitive compensation package is important.

c) Developing and Retaining the People

There are several dimensions to the developing and retaining issues such as training/re-skilling of employees, performance measurement, promotion policy, transfer policy, talent management, communication, etc. The nature of business requires massive re-skilling of the existing workforce and continuous skill up-gradation. Both on the job and off the job training are required for the bankers. Again, there should not be discrimination in the training that each employee has to be provided – based on his/her requirements and the need of the institution, not as a routine, not as a measure of reward alone.

It is also important here to understand why people work? In the olden times, in agrarian societies, people worked for livelihood. The people then understood that apart from livelihood, there is something else required. This something else was termed ‘Job Satisfaction’ where empowerment is important. The best development of people is through empowerment. People at all levels in the organization must feel empowered. For this, it is crucial to cut layers of bureaucracy that we have created over the years and adopt an effective way to delegate.

Efficient Performance Management probably is the most important area of Human Resource Management, the foundation of which is discrimination. Unfortunately, several systems are unable to discriminate and differentiate between performers and non-performers. The results of not having a proper performance management system are disastrous. Moreover, it is essential to define 'performance' appropriately in the context of banking services today for all levels of functionaries. A fair, transparent and objective mechanism for performance management is a must for all banks because an effective Performance Management System is the key to talent management and succession planning. A Performance Management System should throw up future leaders. This sounds very (i) Plan (the tasks); (ii) Inspire (people), Inspire for aspiring, Inspire for perspiring and; (iii) Deliver (on results). A leader must deliver.

Communication with employees is a vital part of the HR process as it helps enhance transparency in HR practices, thereby imparting credibility to them. When dealing with human beings, it is important to be objective, transparent and nondiscriminatory and this must be effectively communicated. The employee must say that the management has all the above qualities. The Board must spend time on devising ways and means for this communication – lay down appropriate structures for the purpose. All forms of modern communication channels including intranet, corporate e-mails, etc. can be adopted to reach out to employees. Communication through employee unions has been another traditional mode of communication in some instances.

d) Handling Employee Exit

People leave bank for other opportunities or better opportunities, not only to the competitor banks and financial institutions but also to other sectors. It is important to introduce a system of exit interviews to determine why people are leaving the bank – whether there are any inherent system/structure failures? It is not a good idea to try to block their exit but, as a part of the manpower planning process, should be able to identify substitutes who can step in and ensure no disruption of important functions, in the event of the exit of a key person. The place of an experienced person could always be filled in through lateral recruitment of a person with matching skills/experience.

C.2 Nature and Purpose of Staffing

2.1 Staffing

The foundation of any organization is the talented and hardworking people, who are the principal assets of any firm. It is an established fact that the growth of an organization requires the continual infusion of quality staff. Thus, adequate staffing or the provision for appropriate human resources is an essential requirement for any organization's success. It is, therefore, believed that an organization can achieve its objectives only when it has the right persons in the right positions.

After planning and selection of the organization structure, the next step in the management process is to fill the various posts provided in the organization. This is termed as the management of staffing function. In the simplest terms, staffing is 'putting people to jobs'. It begins with workforce planning and includes different other function like recruitment, selection, training, development, promotion, compensation and performance appraisal of work force. In other words, staffing is that part of the process of management which is concerned with obtaining, utilizing and maintaining a satisfactory and satisfied work force. Today, staffing may involve any combination of employees including daily wagers, consultants and contract employees. Staffing recognizes the importance of every single person employed by an organization as it is the individual worker, who is the ultimate performer.

Staffing has been described as the managerial function of filling and keeping filled the positions in the organization structure. This is achieved by, first of all, identifying requirement of work force, followed by recruitment, selection, placement, promotion, appraisal and development of personnel, to fill the roles designed into the organization structure.

In a new enterprise, the staffing function follows the planning and organizing functions. After deciding what is to be done, how it is to be done and after creation of the organization structure, the management is in a position to know the human resource requirements of the enterprise at different levels. Once the number and types of personnel to be selected is determined, management starts with the activities relating to recruiting, selecting and training people, to fulfill the requirements of the enterprise. In an existing enterprise, staffing is a continuous process because new jobs may be created and some of the existing employees may leave the organization.

2.2 Importance of Staffing

In any organization, there is a need for people to perform work. The staffing function of management fulfills this requirement and finds the right people for the right job. Basically, staffing fills the positions as shown in the organization structure. Human resources are the foundation of any business. The right people can help you take your business to the top; the wrong people can break your business. Hence, staffing is the most fundamental and critical drive of organizational performance. The staffing function has assumed greater importance these days because of rapid advancement of technology, increasing size of organization and complicated behavior of human beings. Human resources are the most important asset of an organization. The ability of an organization to achieve its goal depends upon the quality of its human resources. Therefore, staffing is a very important managerial function. No organization can be successful unless it can fill and keep filled the various positions provided for in the structure with the right kind of people.

Proper staffing ensures the following benefits to the organization:

- helps in discovering and obtaining competent personnel for various jobs
- makes for higher performance, by putting right person on the right job
- ensures the continuous survival and growth of the enterprise through the succession planning for managers;
- Helps to ensure optimum utilization of the human resources. By avoiding over manning, it prevents underutilization of personnel and high labor costs. At the same time it avoids disruption of work by indicating in advance the shortages of personnel; and
- Improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.

Staffing function must be performed efficiently by all organizations. If right kind of employees are not available, it will lead to wastage of materials, time, effort and energy, resulting in lower productivity and poor quality of products. The enterprise will not be able to sell its products profitably. It is, therefore, essential that right kind of people must be available in right number at the right time. They should be given adequate training so that wastage is minimum. They must also be induced to show higher productivity and quality by offering them proper incentives.

2.3 Staffing Process

The prime concern of the staffing function in the management process is the timely fulfillment of the manpower requirements within an organization. These requirements may arise in case of starting a new business or expanding the existing one or they may arise as a matter of the need for replacing those who quit, retire or are transferred or promoted from or are fired from the job. In any case, need for ‘the right person for the right job’ hardly needs an over emphasis.

Staffing as a process starts from understanding the manpower requirements within the organization and identifying the potential sources from where it can be met, either from within the organization or from outside. In situations where a single job vacancy might attract a few hundreds of the applicants, there is a challenge of selecting the most appropriate one. Freshly appointed persons might need orientation or training to familiarize them with the way the things are done in an organization. And, in case they have been selected only on the basis of academic qualifications and aptitude for learning, they might need training in specific skills as well. Staffing process follows the stages.

a) **Estimating the Manpower Requirements:**

Understanding manpower requirements is not merely a matter of knowing how many persons we need but also of what type. Operationally, understanding the manpower requirements would necessitate workload analysis on the one hand and workforce analysis on the other. Workload analysis would enable an assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organizational objectives. Workforce analysis would reveal the number and type available. In fact such an exercise would reveal whether we are understaffed, overstaffed or optimally staffed. It may be pointed out that neither over-staffing nor under-staffing is a desirable situation.

b) **Recruitment:**

Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization. The information generated in the process of writing the job description and the candidate profile may be used for developing the ‘situations vacant’ advertisement. The advertisement may be displayed on the factory/ office gate or else it may be got published in print media or flashed in electronic media. This step involves locating the potential candidate or determining the sources of potential candidates.

In fact, there are a large number of recruitment avenues available to a firm which would be discussed latter when we talk about the various sources of recruitment. The essential objective is to create a pool of the prospective job candidates. Both internal and external sources of recruitment may be explored. Internal sources may be used to a limited extent. For fresh talent and wider choice external sources are used.

c) Selection:

Selection is the process of choosing from among the pool of the prospective job candidates developed at the stage of recruitment. Even in case of highly specialized jobs where the choice space is very narrow, the rigor of the selection process serves two important purposes:

- (i) it ensures that the organization gets the best among the available, and
- (ii) it enhances the self-esteem and prestige of those selected and conveys to them the seriousness with which the things are done in the organization. The rigor involves a host of tests and interviews, described later. Those who are able to successfully negotiate the test and the interviews are offered an employment contract, a written document containing the offer of employment, the terms and conditions and the date of joining.

d) Placement and Orientation:

Joining a job marks the beginning of socialization of the employee at the workplace. The employee is given a brief presentation about the company and is introduced to his superiors, subordinates and the colleagues. He is taken around the workplace and given the charge of the job for which he has been selected. This process of familiarization is very crucial and may have a lasting impact on his decision to stay and on his job performance. Orientation is, thus, introducing the selected employee to other employees and familiarizing him with the rules and policies of the organization. Placement refers to the employee occupying the position or post for which the person has been selected.

e) Training and Development:

What people seek is not simply a job but a career. Everyone must have the opportunity to rise to the top. The best way to provide such an opportunity is to facilitate employee

learning. Organizations have either in-house training centers or have forged alliances with training and educational institutes to ensure continuing learning of their employees. The organizations too benefit in turn. If employee motivation is high, their competencies are strengthened, they perform better and thus, contribute more to organizational effectiveness and efficiency. By offering the opportunities for career advancement to their members, organizations are not only able to attract but also retain its talented people.

f) Performance Appraisal

After the employees have undergone a period of training and they have been on the job for some time, there is a need to evaluate their performance. All organizations have some formal or informal means of appraising their employee's performance. Performance appraisal means evaluating an employee's current and/or past performance as against certain predetermined standards. The employee is expected to know what the standards are and the superior is to provide the employee feedback on his/her performance. The performance appraisal process, therefore, will include defining the job, appraising performance and providing feedback.

g) Promotion and career planning

It becomes necessary for all organizations to address career related issues and promotional avenues for their employees. Managers need to design activities to serve employees' long-term interests also. They must encourage employees to grow and realize their full potential. Promotions are an integral part of people's career. They refer to being placed in positions of increased responsibility. They usually mean more pay, responsibility and job satisfaction.

h) Compensation

All organizations need to establish wage and salary plans for their employees. There are various ways to prepare different pay plans depending on the worth of the job. Basically the price of the job needs to be determined. Compensation, therefore, refers to all forms of pay or rewards going to employees.

It may be in the form of direct financial payments like wages, salaries, incentives, commissions and bonuses and indirect payments like employer paid insurance and vacations. Direct financial payments are of two types: time based or performance based.

A time based plan means salary and wages are paid either daily, weekly or monthly or annually. Performance based plans means salary/wages are paid according to piecework. For example, a worker may be paid according to the number of units produced by him/her. There are many methods to calculate the compensation under various incentive plans to reward performance.

Certain pay plans can be created which are a combination of time based pay plus incentives for higher performance. Various plans may be formulated for paying employee's time based wage or salary as well as performance based financial incentives and bonuses, and employee benefits. Besides there are some other factors also which influence the design of any pay plan, like legal (labor laws), union, company policy and equity. Thus, we see that as a process, staffing includes acquisition, retention, development, performance appraisal, promotion and compensation of the most important resource of an organization, that is, its human capital. It needs to be kept in mind that several factors such as supply and demand of specific skills in the labor market, unemployment rate, labor market conditions, legal and political considerations, company's image, policy, human resource planning cost, technological developments and general economic environment etc., will influence the way recruitment, selection and training will be actually carried out.

C.3 On the Job and off the Job Training

Training Methods:

There are two different types of training methods through which employees can be cross trained in an organization. Basic training methods are –

- a) On the job training and
- b) Off the job training.

3.1 On-the-job training

On-the-job training is provided at the workplace itself, the trainees produce things while learning. On the job training (OJT) refers to activities carried out at a person's workplace to develop work related knowledge and skills that are required for employees to perform a specific job within the work environment. Employees learn in an environment in which they will need to practice the knowledge and skills taught in the on-the-job training.

On-the-job training uses the regular or existing workplace tools, machines, documents, equipment, knowledge, and skills necessary for an employee to learn to effectively perform his or her job. It happens within the regular working environment that an employee experiences on the job.

A coworker who is having complete knowledge on a task can train his coworkers on this task. Sometimes when working on the specialized equipment to be taught, an external provider can provide on the job training. For example, if a modern equipment is bought for assembling in a car manufacturing company, an expert who can handle the new machine only can train the employees. Thus an external expert is required to provide the training.

The goal of OJT is often to teach basic workplace skills, it also instills aspects of the workplace culture and performance expectations in the new employee. OJT can also an approach that is used by the organizations to train the new employees. .

On-the-job training gives employees motivation to start the job. Some reports indicate that people learn more efficiently if they learn hands-on, rather than listening to an instructor. However, this method might not be for everyone, as it could be very stressful. A large majority of employee learning is accomplished through on-the-job training. Well-designed OJT

programs are well planned and resourced, staff managers with competent coaching ability, and define the criterion for performance standards other issues that may arise. OJT is commonly provided through

- Coaching
- Mentoring
- Job Rotation
- Job Instruction Technology
- Apprenticeship
- Understudy

Coaching: Trainee will be attached to a particular supervisor who will coach, assess and provides feedback to the trainee. Coaching is used with employees who already know the job and have proven themselves capable with possibly one or two areas where the employee needs strengthening. It is more ad hoc in nature, with the intervention based on observation of the employee's performance

Mentoring: Mentoring is one-to-one interaction between a senior employee and a junior employee. This type of training focusses on the development of attitude.

Job rotation: Training will be given to employees on different job assignments. This will help to understand the difficulties in the other job assignments as well as learning different job skills.

Job instructional Training: A step-by-step instruction will be given by the trainer to the learner.

Apprenticeship: It is a formalized method of training program that will comprise of both classroom education and formalized on-the-job training method under close supervision.

Understudy: A superior trains a subordinate as his understudy like an assistant to a manager. The subordinate learns through experience and observation by participating in handling day to day problems.

3.1.1 Steps to create and implement on the job training

1. Select a set of current employees who needs the training
2. Choose a mentor from the team who has the skills and knowledge to train
3. The mentor will explain, demonstrate the work and makes the learner to practice the same under his guidance.
4. Mentor will provide the feedback on the trainee's performance.
5. Trainee employee will correct himself based on the feedback given by the mentor.
6. Same process can be followed to train a new employee.

3.1.2 Benefits of On the Job Training

- It is a low-cost training program that shares the knowledge of current working employees to a new generation of workers.
- Content of the training will be designed specific to each skill to be learned.
- Content of the skill to be learnt is known to the trainees.
- Trainees will feel comfortable as the training is in known work environment.
- A good way to screen new employees.
- A sense of loyalty to the company will be created within the employees.
- Trainees are highly motivated.
- It is a flexible training method.
- Immediate feedback on the performance of the trainee

3.1.3 Disadvantages of On-the-Job Training

- Trainer may not have enough skills to train others hence quality of training may not be high.
- Trainer may not be interested to train the new employees with the fear of losing their work.
- Product quality may get affected if the training is poor or improper.
- Production may get disrupted.
- Lack of time to practice.
- Familiarity of work place may affect the concentration in training.

3.2 Off-the-job training

In off-the-job training, the trainees are away from the work environment, which eliminates stress, frustration and bustle of day-to-day job. Off the job training is commonly provided using following Training Methods:

- Lectures and Conferences
- Vestibule Training
- Simulation Exercises
- Sensitivity Training
- Transactional Training

This type of training essentially helps employees perform their job more efficiently. Unlike on-the-job training, off-the-job training can take place near the workplace or somewhere further away, such as at a resort or at a training center. When employers hold training away from the workplace, it helps minimize distractions so employees can fully focus on the material they're learning. During this type of training, employees express their views and opinions and explore new ideas to bring to the workplace. Before the conclusion of the training, employees typically receive some form of evaluation. For example, they may receive an evaluation that tests their understanding of the knowledge the instructor taught them during the off-the-job training.

3.2.1 Benefits of off-the-job training

- Decreased employee turnover as employee training gives you an opportunity to learn new or advanced skills or knowledge pertaining to your job.
- With training held away from the workplace, employees don't face as many disruptions or distractions.
- When employers invest in employee training, it means they value their employees' success. Feeling like your employer cares about your performance and you as an employee can help increase your job satisfaction.
- Off the job training allows you to learn from everyone's experiences.
- Off-the-job training gives the opportunity to learn from experts in the field and thus offer feeling of confidence and improve productivity.

3.3 Off-the-job vs. On-the-job training

While both off-the-job training and on-the-job training provide a learning environment for employees, both come with their fair share of differences. To better understand how these differ, consider some of their main differences:

Location: Off-the-job training occurs at another place other than the job location. In contrast, on-the-job training takes place in the work building or job site.

Distractions: Off-the-job training provides a distraction- and stress-free environment for employees to learn. Since on-the-job training takes place at the workplace, it often allows for more distractions which can hinder an employee's ability to learn the material or concept.

Cost: Off-the-job training is often more expensive than on-the-job training. This may stem from the fact that experts are hired to carry out off-the-job training. In addition, companies have to find a different facility to hold the training outside of the workplace.

Instructors: Experienced employees carry out on-the-job training, while experts handle off-the-job training.

C.4 Performance Appraisal and performance management system (PMS)

4.1 Performance Appraisal

A performance appraisal is also referred to as performance evaluation, performance review or employee appraisal. All companies use performance appraisals to discover which employees have contributed the most to the company's growth, review progress, and reward high-achieving workers.

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development.

The employee performance appraisal process is crucial for organizations to boost employee productivity and improve their outcomes. Performance appraisals are an annual process where an employee's performance and productivity is evaluated against a predetermined set of objectives.

Performance Management is super important, not only because it is the determining factor in an employee's wage rise and promotion but also because it can evaluate an employee's skills, strengths, and shortcomings accurately.

Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

4.2 Objectives of Performance Appraisal

Performance Appraisal can be done with following objectives in mind:

- To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.

- To identify the strengths and weaknesses of employees to place right men on right job.
- To maintain and assess the potential in a person for growth and development.
- To provide a feedback to employees regarding their performance and related status.
- It serves as a basis for influencing working habits of the employees.
- To review and retain the promotional and other training programmes.

4.3 Advantages of Performance Appraisal

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyses strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.

5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:

- ▶ Through performance appraisal, the employers can understand and accept skills of subordinates.
- ▶ The subordinates can also understand and create a trust and confidence in superiors.
- ▶ It also helps in maintaining cordial and congenial labor management relationship.
- ▶ It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

4.4 Modern Performance Appraisal Methods

With the right performance appraisal method, organizations can enhance employee performance within the organization. A good employee performance review method can make the whole experience effective and rewarding.

However, the performance appraisal is rarely put to good use since existing performance appraisal methods fail to internalize employee performance results. To prevent performance appraisals from becoming nothing more than empty buzzwords, HR managers need to revamp their existing process and try implementing one of the six modern performance appraisal methods that are listed below.

4.4.1 Management by Objectives (MBO)

Management by objectives (MBO) is the appraisal method where managers and employees together identify, plan, organize, and communicate objectives to focus on during a specific appraisal period. After setting clear goals, managers and subordinates periodically discuss the progress made to control and debate on the feasibility of achieving those set objectives.

This performance appraisal method is used to match the overarching organizational goals with objectives of employees effectively while validating objectives using the SMART method to see if the set objective is specific, measurable, achievable, realistic, and time-sensitive.

At the end of the review period (quarterly, half-yearly, or annual), employees are judged by their results. Success is rewarded with promotion and a salary hike whereas failure is dealt with transfer or further training. This process usually lays more stress on tangible goals and intangible aspects like interpersonal skills, commitment, etc. To ensure success, the MBO process needs to be embedded in the organizational-wide goal setting and appraisal process. By incorporating MBO into the performance management process, businesses can improve employee's commitment, amplify chances for goal accomplishment, and enable employees to think futuristically.

Steps to implement a successful MBO program are as follows:

- ▶ Every manager must have 5-10 goals expressed in specific, measurable terms
- ▶ Manager can propose their goals in writing, which will be finalized after review
- ▶ Each goal needs to include a description and a clear plan (list of tasks) to accomplish it
- ▶ Determine how progress will be measured and how frequently (minimum quarterly)
- ▶ List down corrective actions that will be taken if progress is not in accordance with plans
- ▶ Ensure that goals at each level are related to the organizational objectives and levels above/below

4.4.2 360-Degree Feedback of Performance

360-degree feedback is a multidimensional performance appraisal method that evaluates an employee using feedback collected from the employee's circle of influence namely managers, peers, customers, and direct reports. This method will not only eliminate bias in performance reviews but also offer a clear understanding of an individual's competence. Key components of the Feedback include

- **Self-appraisals**

Self-appraisals offer employees a chance to look back at their performance and understand their strengths and weaknesses. However, if self-appraisals are performed without structured forms or formal procedures, it can become lenient, fickle, and biased.

- **Managerial reviews**

Performance reviews done by managers are a part of the traditional and basic form of appraisals. These reviews must include individual employee ratings awarded by supervisors as well as the evaluation of a team or program done by senior managers.

- **Peer reviews**

As hierarchies move out of the organizational picture, coworkers get a unique perspective on the employee's performance making them the most relevant evaluator. These reviews help determine an employee's ability to work well with the team, take up initiatives, and be a reliable contributor. However, friendship or animosity between peers may end up distorting the final evaluation results.

- **Subordinates Appraising manager (SAM)**

This upward appraisal component of the 360-degree feedback is a delicate and significant step. Repartees tend to have the most unique perspective from a managerial point of view. However, reluctance or fear of retribution can skew appraisal results.

- **Customer or client reviews**

The client component of this phase can include either internal customers such as users of product within the organization or external customers who are not a part of the company but interact with this specific employee on a regular basis.

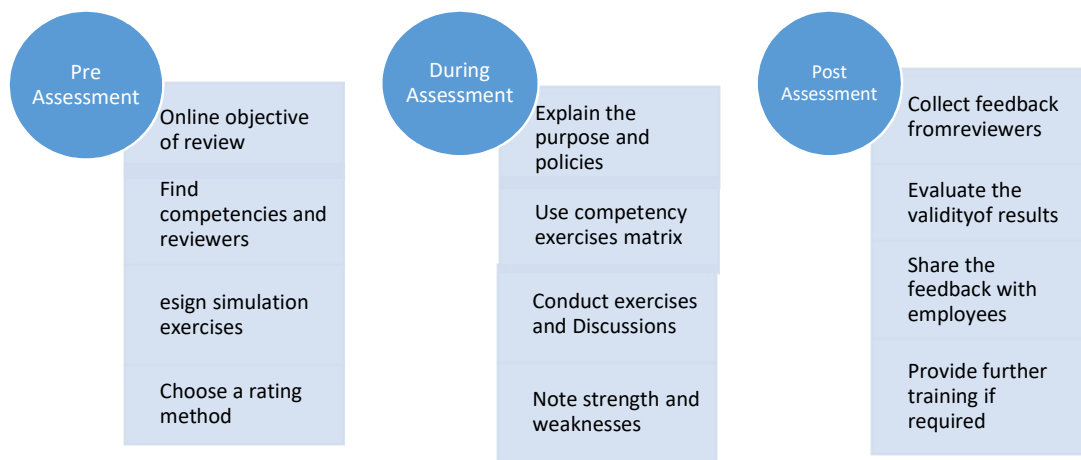
Customer reviews can evaluate the output of an employee better, however, these external users often do not see the impact of processes or policies on an employee's output.

This is ideal for private sector organizations than public sector organizations as peer reviews at public sector organizations are more lenient. Leniency in review, cultural differences, competitiveness, ineffective planning, and misguided feedback are common reasons for the failure of the method.

4.4.3 Assessment Centre Method

The concept of assessment centre was introduced way back in 1930 by the German Army but it has been polished and tailored to fit today’s environment. The assessment centre method enables employees to get a clear picture of how others observe them and the impact it has on their performance. The main advantage of this method is that it will not only assess the existing performance of an individual but also predict future job performance.

Stages in a typical assessment Centre appraisal



During the assessment, employees are asked to take part in social-simulation exercises like in-basket exercises, informal discussions, fact-finding exercises, decision-making problems, role-play, and other exercises that ensure success in a role. The major drawback of this approach is that it is a time and cost intensive process that is difficult to manage. The method is ideal for manufacturing organizations, service-based companies, educational institutions, and consulting firms to identify future organizational leaders and managers. Following guidelines are suggested for implementing the assessment center method:

- Use job analysis to determine the components of effective performance
- Identify performance metrics that can be measured using this assessment center

- Classify meaningful and relevant candidate behavior in the assessment process
- Find assessment techniques that can ideally elicit ideal behavioral information
- Spot assessors and assessee's excluding immediate supervisors
- Provide thorough training to assessors and reviewers
- Maintain a system of performance records for each candidate
- Review records and reward employee or provide training accordingly

4.4.4 Behaviorally Anchored Rating Scale (BARS)

Behaviorally anchored rating scales (BARS) bring out both the qualitative and quantitative benefits in a performance appraisal process. BARS compares employee performance with specific behavioral examples that are anchored to numerical ratings. Each performance level on a BAR scale is anchored by multiple BARS statements which describe common behaviors that an employee routinely exhibits. These statements act as a yardstick to measure an individual's performance against predetermined standards that are applicable to their role and job level.

This method uses critical incidents to serve as anchor statements on the scale. A BARS rating form, usually contains 6 to 10 specifically defined performance dimensions each with five or six critical incident anchors. The dimensions have both negative and positive job-related critical incidents. These scales combine major elements from the critical incident and adjective rating scale approaches.

The appraiser rates the employees based on items along a continuum, but the points are example of actual behavior on the given job rather than general descriptions of traits. The enthusiasm surrounding BARS grew from the belief that the use of specific behavior, derived for each job should produce relatively error-free and reliable ratings. The method is ideal for the businesses of all sizes and industries can use BARS to assess the performance of their entire workforce from the entry level agent to c-suite executives. The steps in developing BARS are as follows:

- **Generating Critical Incidents** – The job holders or supervisors are asked to illustrate some specific critical incidents of effective and ineffective performance. The critical behaviors are those which are essential for the effective performance of the job.

- **Development of Performance Dimensions** – The critical incidents are then clustered into smaller set of performance dimensions by these people. Each cluster or dimension is then properly defined.
- **Reallocate Incidents** – Another group of people, who are also aware of the concept of job, then reallocate the original critical incidents. They are given the cluster's definitions and the critical incidents and are then asked to reallocate each incident to the cluster as they think fits best.
- **Scaling the Incidents** – The critical behaviors are then assigned the scales usually in numbers with their description. The scale may range from 1 to 9 or from 1 to 7. This is generally done by the second group.
- **Development of Final Instruments** – The result for arranging scale for different dimensions of the job produces the vertical scale for each dimension. This scale is then used for the evaluation of the performance of the employees.

4.4.6 Psychological Appraisals

Psychological appraisals come in handy to determine the hidden potential of employees. This method focuses on analyzing an employee's future performance rather than their past work. These appraisals are used to analyze seven major components of an employee's performance such as interpersonal skills, cognitive abilities, intellectual traits, leadership skills, personality traits, emotional quotient, and other related skills.

Qualified psychologists conduct a variety of tests (in-depth interviews, psychological tests, discussions, and more) to assess an employee effectively. However, it is a rather slow and complex process and the quality of results is highly dependent on the psychologist who administers the procedure.

Specific scenarios are taken into account while performing psychological appraisal. For instance, the way in which an employee deals with an aggressive customer can be used to appraise his/her persuasion skills, behavioral response, emotional response, and more.

The method is ideal for large enterprises can use psychological appraisals for an array of reasons including development of leadership pipeline, team building, conflict resolutions, and more. However, absence of proper training, lack of trained professionals to administer reviews, and nervousness or anxiety of candidates can skew results.

4.3.7 Human-Resource (Cost) Accounting Method

Human resource (cost) accounting method analyses an employee's performance through the monetary benefits he/she yields to the company. It is obtained by comparing the cost of retaining an employee (cost to company) and the monetary benefits (contributions) an organization has ascertained from that specific employee.

When an employee's performance is evaluated based on cost accounting methods, factors like unit-wise average service value, quality, overhead cost, interpersonal relationships, and more are taken into account. Its high-dependency on the cost and benefit analysis and the memory power of the reviewer is the drawback of human resources accounting method. This is ideal for startups and small businesses where the performance of one employee can make or break the organization's success. Steps for implementation of human resource cost accounting method:

- Identify the gap between the market and the current package of an employee
- Determine the monetary and non-monetary value that an employee brings to the table
- List down the things that an employee achieved in the review period (increase in the subscriber count, improvement in revenue, number of new deals won, etc.)

4.5 Performance Appraisal Tools and Techniques

Several tools and techniques are identified and used by the organizations for Performance Appraisals for their employees covering Ranking; Forced Distribution; Critical Incident; Checklists; Essay Evaluation; Paired Comparison; Confidential Report; Graphic Rating Scale; Field Review Technique; and Performance Test.

4.5.1 Ranking Method of Performance Appraisals

The ranking system requires the rater to rank his subordinates on overall performance. This consists in simply putting a man in a rank order.

In this, the superior ranks his or her subordinates in the order of their merit, starting from the best to the worst. It is the simplest and old method of merit rating. Every employee is judged

as a whole without distinguishing the rates from his performance. All that the HR department knows is that A is better than B. The 'how' and 'why' are not questioned nor answered.

Under this method, the ranking of an employee in a work group is done against that of another employee. 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.

No attempt is made to fractionalize what is being appraised into component elements. This method is subject to the halo and regency effects, although ranking by two or more raters is averaged to help reduce bias. Its advantages include ease of administration and explanation.

4.5.2 Forced Distribution Method of Performance Appraisals

This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (eg: superior, above average, average) or percentiles (eg: top 10 percent, bottom 20 percent etc). Both the number of categories and percentage of employees to be allotted to each category are a function of performance appraisal design and format.



4.5.3 Critical Incident Techniques of Performance Appraisals

Under this method, the manager prepares lists of statements of very effective and ineffective behavior of an employee. These critical incidents or events represent the outstanding or poor behavior of employees or the job.

The manager maintains logs of each employee, whereby he periodically records critical incidents of the workers behavior. At the end of the rating period, these recorded critical incidents are used in the evaluation of the worker's performance.

4.5.4 Checklists and Weighted Checklists Method of Performance Appraisals

In this system, a large number of statements that describe a specific job are given. Each statement has a weight or scale value attached to it. While rating an employee the supervisor checks all those statements that most closely describe the behavior of the individual under assessment. The rating sheet is then scored by averaging the weights of all the statements checked by the rater.

A checklist is constructed for each job by having persons who are quite familiar with the jobs. These statements are then categorized by the judges and weights are assigned to the statements in accordance with the value attached by the judges.

4.5.5 Essay Evaluation Method of Performance Appraisals

While some would label it as the “grandfather” of performance appraisal methods, the essay method is still a commonly used appraisal method in a variety of business models. The essay method, sometimes known as the “free-form method,” is a performance review system where a superior creates a written review of the employee’s performance.

These essays are meant to describe and record an employee’s strengths and weaknesses in job performance, identifying problem areas and creating a plan of action to remedy them. Whether the essay is written by the appraiser alone, or in collaboration with the appraisee, essays provide supervisors the opportunity to assess behaviors and performance with greater complexity and attention to detail.

There are many reasons that the essay method--which was one of the first methods used to evaluate performance--is still effective today.

Appraisal by essay is generally most effective in performance reviews for employees with atypical job descriptions or non-numerical goals.

While other appraisals work well in analyzing performance for jobs that are subject to goals based on numbers, essays offer a more subjective analysis of performance for employees with managerial or customer service positions.

When analyzing production, the essay method is most effective in combination with another appraisal method.

Using a graphic rating scale along with essay appraisals allows one method to focus solely on numbers, while the essay portion can be used to analyze other performance goals.

4.5.6 Paired Comparison

Paired comparison analysis is also known as Pairwise Comparison which helps us to work out the importance of a number of options relative to one another. This makes it easy to choose the most important problem to solve, or to pick the solution that will be most effective. It also helps us to set priorities where there are conflicting demands on your resources.

The tool is particularly useful when we don't have objective data to use to make your decision. It's also an ideal tool to use to compare different, subjective options, for example, where we need to decide the relative importance of qualifications, skills, experience, and team working ability when hiring people for a new role.

This is a handy and easy tool for decision making. It describes values and compares them to each other. It's often difficult to choose the best option when you have different ones that are far apart.

All the potential options are compared visually, leading to an overview that immediately shows the right decision. This makes it possible to compare the relative importance of opposing criteria in a simple way.

The Paired Comparison Analysis also helps when potential options are competing with each other, because the most effective solution will be chosen in the end. It's easier to set priorities when there are no conflicting requirements.

4.5.7 Confidential Report

Confidential Reports are maintained mostly in government departments, though its application in the industry is not ruled out. These reports differ from department to department and from level to level. The confidential report is written for a unit for one year and relates to the performance, ability, and character of the employee during that year. The report is not data based but is subjective. No feedback is provided to the employee being appraised and therefore, its credibility is very low. The approach called Annual Confidential Report (ACR), contains several items covering

- Attendance
- Self-expression
- Ability to work with others
- Leadership

- Initiative
- Technical ability
- Ability to understand new material
- Ability to reason
- Originality
- Areas of work that suit the person best
- Judgment
- Integrity
- Responsibility
- Any defect.

4.5.8 Graphic Rating Scale

The graphic rating scale, a behavioral method, is perhaps the most popular choice for performance evaluations. This type of evaluation lists traits required for the job and asks the source to rate the individual on each attribute. A discrete scale is one that shows a number of different points.

The ratings can include a scale of 1–10; excellent, average, or poor; or meets, exceeds, or doesn't meet expectations, for example. A continuous scale shows a scale and the manager puts a mark on the continuum scale that best represents the employee's performance. For example:

Poor	—	—	—	—	—	—	—	—	Excellent
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The disadvantage of this type of scale is the subjectivity that can occur. This type of scale focuses on behavioral traits and is not specific enough to some jobs. Development of specific criteria can save an organization in legal costs. For example, in *Thomas v. IBM*, IBM was able to successfully defend accusations of age discrimination because of the objective criteria the employee (Thomas) had been rated on.

Many organizations use a graphic rating scale in conjunction with other appraisal methods to further solidify the tool's validity. For example, some organizations use a mixed standard scale, which is similar to a graphic rating scale.

This scale includes a series of mixed statements representing excellent, average, and poor performance, and the manager is asked to rate a “+” (performance is better than stated), “0” (performance is at stated level), or “-” (performance is below stated level).

4.4.8 Field Review Technique

Field review method of performance appraisal is conducted by the rater who does not belong to the employees' department. The rater is someone from the corporate, especially from HR department.

Use of this technique to evaluate employees' performance is helpful in completely eliminating issues that arise due to rater's biasedness.

The field review method is conducted by someone outside of the employee's own department, most often from HR or corporate. The reviewer observed the employee for several days, then evaluates performance

Under this method, a trained employee from personnel department interviews the line supervisor to evaluate their respective subordinates. The appraiser is fully equipped with definite test questions, usually memorized in advance, which he puts to supervisors. The supervisor is required to give his opinion about the progress of his subordinates, the level of performance of each subordinate, his weaknesses, his good points, outstanding ability, promo ability and possible plans of action in cases requiring further consideration. The appraiser takes detailed notes of the answers, which are then approved by the supervisors and placed in employee's personal file.

In this method, an employee is not appraised by his direct superior but by another person usually from the HR department. This is an appraisal by someone outside the own department, usually someone from the corporate office or the HR department. The basic idea is that such a person may take a more objective view in the appraisal as he is not under the pressure as the superior of the employee may be.

The rater also conducts the interview with the employee and his superior for making a qualitative assessment of the employee. Field reviews are useful and are done when comparable information is needed from employees in different units or locations.

4.4.9 Performance Test

With a limited number of jobs, employee assessment may be based upon his test of knowledge or skills. The test may be of the paper and pencil variety or an actual demonstration of skills. The test must be reliable and validated to be useful. Even then, the performance tests are apt to measure potential more than actual performance. In order for the test to be job related, observation should be made under circumstances likely to be encountered.

4.6 Performance Appraisal Biases

Managers commit mistakes while evaluating employees and their performance. Biases and judgment errors of various kinds may spoil the performance appraisal process. Bias here refers to inaccurate distortion of a measurement. These are:

- **First Impression (primacy effect):** Raters form an overall impression about the ratee on the basis of some particular characteristics of the ratee identified by them. The identified qualities and features may not provide adequate base for appraisal.
- **Halo Effect:** The individual's performance is completely appraised on the basis of a perceived positive quality, feature or trait. In other words this is the tendency to rate a man uniformly high or low in other traits if he is extra-ordinarily high or low in one particular trait. If a worker has few absences, his supervisor might give him a high rating in all other areas of work.
- **Horn Effect:** The individual's performance is completely appraised on the basis of a negative quality or feature perceived. This results in an overall lower rating than may be warranted. "He is not formally dressed up in the office. He may be casual at work too!".
- **Excessive Stiffness or Lenience:** Depending upon the raters own standards, values and physical and mental makeup at the time of appraisal, ratees may be rated very strictly or leniently. Some of the managers are likely to take the line of least resistance and rate people high, whereas others, by nature, believe in the tyranny of exact assessment, considering more particularly the drawbacks of the individual and thus making the assessment excessively severe. The leniency error can render a system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among the employees.

- **Central Tendency:** Appraisers rate all employees as average performers. That is, it is an attitude to rate people as neither high nor low and follow the middle path. For example, a professor, with a view to play it safe, might give a class grade near the equal to B, regardless of the differences in individual performances.

- **Personal Biases:** The way a supervisor feels about each of the individuals working under him - whether he likes or dislikes them - as a tremendous effect on the rating of their performances. Personal Bias can stem from various sources as a result of information obtained from colleagues, considerations of faith and thinking, social and family background and so on.

- **Spillover Effect:** The present performance is evaluated much on the basis of past performance. “The person who was a good performer in distant past is assured to be okay at present also”.

- **Regency Effect:** Rating is influenced by the most recent behavior ignoring the commonly demonstrated behaviors during the entire appraisal period.

C.6 Soft Skills in the Workplace and Banks

6.1 Soft Skills and Its Importance in an Organization

Soft skills refer to a person's people skills that are intangible and hence not always easy to measure. WHO defines soft skills as 'The abilities for adaptive and positive behaviors that enable individuals to deal with the demands and challenges of everyday life. UNICEF calls these skills as 'Life Skills' and defines as "A behavior change or behavior development approach designed to address a balance of three areas: Knowledge, attitude and skills".

The success of a team, and a business, does not just depend on workers having the technical know-how to do their jobs. It also depends on how employees interact with each other and with your clients. Soft skills help employees fully utilize their hard skills. Skills such as conflict resolution, emotional intelligence, time management, working well under pressure are critical in the workplace. Employees with soft skills make for good team players and efficient managers. They are good at building relationships and easier to get along with.

Soft skills are qualities that are innate to your personality and aren't part of a formal education. In the Soft Skills, there are two kinds of skills – thinking skill (personal skill) and skills related to dealing with others called social skills (interpersonal skills). Soft skills are also often referred to as 'people skills' because they are strongly associated with a person's emotional intelligence.

Without soft skills, everyday business would be very difficult, since almost all aspects of work involve people. Many jobs also involve collaboration and interaction with different types of people, and interpersonal skills are vital to make this happen. Even if one has a very technical job, such as an IT role, they will need to interact with colleagues or clients regularly, often imparting complicated information or having to listen carefully to requirements. Having excellent technical capabilities on one's resume won't necessarily be enough to get you the job.

A career in finance and banking requires a whole range of soft and hard skills, but technical skills, now highly sought after by employers, as many aspects of the job are already, or will soon be, fully automated or technology- based.

While Soft skills are related to the personality of an employee and are not taught but are natural results of emotional intelligence and life experiences, whereas hard skills are techniques or knowledge you learn at school or through on-the-job training. Soft skills and hard skills may be differentiated as follows:

Soft Skills vs Hard Skills	
Soft Skills	Hard Skills
Experienced based	Rule based
Peoples related	Technological or Scientific
Attitudinal	Mechanical
Behavioral	Related to tools and techniques
General	Procedural and Methodical
Attitudinal	Mechanical
Situation-Specific	Replicable
Intangible	Tangible

6.2 Soft Skills for Work Places

In the literature, there are several soft skills that are identified and recommended for the workplace. However, some of the commonly recommended or suggested soft skills includes-

- Communication
- Independence
- Leadership
- Problem Solving
- Team Work
- Time Management
- Work Ethics.

6.2.1 Communication Skills

Being able to communicate well is a critical soft skill in every industry. Communication tops the most in-demand Skills. It is the process of giving / receiving /exchanging information with others. It represents interaction with others to promote understanding, to achieve a result of desired kind and to pass on information to others to be acted upon. Vital information needs to be given, received, exchanged and understood hundreds of times in every working day. Many business transactions go wrong simply because of poor communication between people concerned.

Major Communication skills required in the workplace may include

- ▶ Active Listening
- ▶ Clarity and Cohesion
- ▶ Confidence
- ▶ Diplomacy
- ▶ Empathy
- ▶ Employment Communication
- ▶ Friendliness
- ▶ Good Conversational skills
- ▶ Good Humor
- ▶ Group Discussion
- ▶ Interviewing
- ▶ Listening Skills
- ▶ Negotiation Skills
- ▶ Networking
- ▶ Non-verbal communication
- ▶ Patience.

a) **Stages of Communication:**

Every Communication goes through seven stages:

- Giver or Sender
- The Message (Who, What, When, Where, Why and How aspects)
- Encoding of the Message
- Channel of Communication
- Receiver or Intended Receivers
- Decoding
- Feedback

b) **Feature of effective Communication**

A Communication to be effective shall be:-

- Correct
- Clear with Clarity and Cohesive
- Complete
- To the point
- Create Goodwill
- State precise responsibilities and timelines if action needed
- Persuasive

6.2.2 Problem Solving Skills

Solving problems is a feature of everyday life, from the straight forward to the more complex. Any job will present its own problems at some stage Problem solving is the act of defining a problem, determining the cause of the problem, identifying, prioritizing and selecting alternatives for a solution, and implementing an appropriate solution. Post resolution review for whether the intended result is achieved. Put in place processes to avoid recurrence. One basic problem solving approach is the IDEAL model: 1. Identify the problem; 2. Define the problem; 3. Examine the options: generating, evaluating, and selecting alternatives; 4. Act on a plan; and 5. Look at the consequences.

In a broader sense the problem solving involves almost use of all the major soft skills one has, as the process steps involves and cuts across most of the soft skills. Basically, the following skills are key:

- Analytical skills
- Creative Thinking
- Initiative
- Logical reasoning
- Decision making
- Persistence
- Communication
- Persuasion
- Negotiation

- Team Work
- Implementation
- Feedback and review.

The focus should be on the solution and not the problem. Approach with a positive attitude, simplify the solution for effective communication, use inclusive language and follow through implementation.

6.2.3 Team Work Skills

Team Work is the collaborative effort of a group to achieve a common goal or to complete a task in the most effective and efficient way. Today's teams are different from the teams of the past: They're far more diverse, dispersed, digital, and dynamic (with frequent changes in membership). But while teams face new hurdles, their success still hinges on a core set of fundamentals for group collaboration. When individuals come together on a common platform with a common objective of accomplishing a task, a team is formed. As they say "There is no I in Team Work", every individual must think of his team first and the personal interests must take a back seat. The sum of the efforts undertaken by each team member for the achievement of the team's objective is called team work. In other words, team work is the backbone of any team. In team work the whole is greater than the sum of its part.

For a team work to be successful, the team lead should have leadership qualities, interpersonal relationship skills and the team members possess the desired team work skills to be collaborative and cooperative. There should be clear defined part each one in the team has to play, transparent and healthy interaction among team members maintained. Conflicts should be avoided or addressed with clarity, responsibility clearly defined and the team lead encouraging the members all through and suitable rewards and recognition offered at conclusion. Team work skills may include:

1. Accept Feedback
2. Adaptability
3. Adorable Behavior Traits
4. Collaborative
5. Cooperation

6. Coordination
7. Deal with Difficult Situations
8. Disability awareness
9. Emotional Intelligence / Awareness
10. Fellow Feeling
11. Flexibility
12. Idea Exchange
13. Influential
14. Intercultural Competence
15. Interpersonal Relationship Skills
16. Mediation
17. Office Politics Management
18. Organizational Skills
19. Personality Conflict Management
20. Rapport Building
21. Respectfulness
22. Sales Skills
23. Self-Awareness
24. Social Skills
25. Team Building.

6.2.4 Time Management Skills

This becomes a valuable soft skill especially at present when most employees are working from home. Good time management skills help workers plan and manage their daily schedules and meet deadlines. Employees who can manage their time well are more efficient and productive.

Time Management is the coordination of tasks and activities to maximize the effectiveness of an individual's efforts, enabling people to get more and better work done in less time. When you have acuity, you're able to be sharp and efficient in your thinking. You are able to

understand things quickly and pick up on new concepts, which helps employers save time. The 5 essential time management strategies are:

- Be intentional – keep to-do list, delegate to minimize time
- Be prioritized – rank the tasks
- Be focused – manage distractions
- Be structured – time block the work
- Be self-aware – track progress & course correct

6.2.5 Leadership Skills

Employees with leadership skills possess all other soft skills and use them to effectively manage people. Not only do they excel in a group setting, but they are also able to guide other team members to realize their full potential. They are decisive and flexible and make for excellent managers.

Leadership is the art of motivating a group of people to act toward achieving a common goal. It can be an individual or a group of individuals. It is interpersonal influence, exercised in a situation, directed through the communication process towards the attainment of a specified goal. Leadership may be imposed, formally appointed, chosen informally or emerge naturally. It may involve individual functioning, team functioning, task functioning and or a combination of any or all of them.

Regarding the qualities ‘The Nine Cs of Leadership’ include – curiosity, creativity, communication, character, courage, conviction, charisma, competence and common sense. The leader should have an inquiring curious mind so as to get inputs from considers before embarking on decision making. Leadership is all about managing change – change is the only constant in life. As things change the leader must be creative and adaptive to find solutions to achieve intended goals. Communication starts with telling the truth even when it is painful to do so. Leadership demands effective communication skills. Leaders must be persons of character. Knowing the difference between right and wrong and having the guts to do the right thing is a special leadership skill. A leader must be courageous- a commitment to sit down and negotiate. A fire in the belly conviction is another leadership skill. Leadership demands a charismatic quality that makes people wanting to follow, the ability to inspire and generate

trust to make it possible. A Competent leader surrounds himself with competent people, who know what they are doing. A leader should possess common sense to listen and find the way. The last of the nine C's but not the least is Crisis management.

There are long lists of leadership skills publicized in different literature that may conclude: 1. Accountability 2. Agility 3. Ambition 4. Amiability 5. Assertiveness 6. Authenticity 7. Coaching 8. Communication Skills 9. Conflict Management 10. Conflict or Dispute Resolution 11. Counselling Skills 12. Cultural Intelligence 13. Deal-Making 14. Decision Making 15. Delegation 16. Effective Communication 17. Encouraging 18. Facilitating 19. Feedback Skills 20. Generosity 21. Give Clear Feedback 22. Goal setting Ability 23. Humility 24. Impartiality in dealing 25. Inspiring 26. Internalisation of criticism 27. Interpersonal relationships (Cross Generational relationships) 28. Leadership skills 29. Managing Difficult Conversations 30. Meeting Management 31. Mentoring 32. Objectivity 33. Openness to criticism 34. People Management 35. Perception Levels 36. Problem Solving Skills 37. Project Management 38. Remote Team Management 39. Resourcefulness 40. Strategic Planning 41. Supervising 42. Talent Management 43. Team Building 44. Versatility 45. Virtual Team Management 46. Visibility.

6.2.6 Work Ethics

Work ethics is a set of moral principles or values that an employee abides by and uses in their job performance. It covers an employee's behavior and attitude towards their job, career, and the workplace. Work ethic is the ability to show up every day with a positive, ready-to-work attitude. Also means riding out a task or project even after you've lost interest or things get tough. Although it's more important to show rather than tell how much one values their job, knowing the right words to use when presenting one's work ethic is also important. These soft skills will reflect on one's character and dedication. With focus, one can work independently and complete tasks in time using a strong work ethic.

6.3 Soft Skills in the context of Banking Industry

Soft skills are particularly crucial for the service industry like banking and financial sector. Soft skills is required at various stages like for selection, job performance and working in the organization. For getting employment in service sector industries soft skills like good communication skills, positive attitude and adaptability are highly required.

The main task of banks functioning worldwide is to safeguard the interests of their clients who entrust them with their money, arrange funds when they need them, and facilitate monetary transactions. The whole idea of the banking industry revolves around one important human emotion: TRUST. In order to convince people to entrust a bank with their life savings, valuables, or any other asset, it is very important that the bank's management understands the importance of open and friendly communication. Without communication, no working relationship can be initiated or established, let alone building trust. Effective banking communication strengthens the relationship between customer, suppliers, stakeholders, manager, client, employees and board of directors. Banker's experience on banking communication enhances banking system, employee's behavior and core banking services facilities management.

The situation handling skills, team work spirit, professional etiquettes, positive attitude towards work and flexibility are important soft skills required at the time of selection. These soft skills are important to sustain in the selected services like banking. In banks the employee has to work in team. Revenue targets for team along with individual targets are given to the employees. Team work is very important for achieving it. Listening carefully to the customer, to the managers, managing stress of targets, using effective interpersonal skills with team members. Managers in banks should carefully set all important conditions for teamwork in order to monitor, control, and improve all crucial factors and create favorable working conditions for their teams. Moreover, goal orientation, professional etiquette and business

ethics are important to work in the financial industry.

All industries, and the financial industry in particular, are experiencing tremendous changes over the years. Global financial and economic crises brought remarkable changes, and also accelerated the process of automating certain processes and operations. Undoubtedly, the changing situation and business complexities require a greater focus of employees' activity on their soft skills, which determine the effectiveness of their work. Soft skills in the development of the financial sector are as important as digital skills, especially in the context of the evolution of information and communication technologies. There are evidences that the financial industry values such soft skills as self-confidence, readiness, communication skills, team spirit, creativity and innovation, positive attitude to work as well as motivation to learn and develop. Research activities identified over a dozen soft skills affecting employability in the financial industry covering empathetic and judicious behavior, professional etiquette well as change analysis and prediction. Moreover, practicality and organizational presence of mind, social and moral presence of mind, self-confidence and effective written communication are considered crucial desired soft skills in the financial and banking industry.

Indicative Questions

1. Define Human Resources Management (HRM). What are the major functions of HRM
2. Explain the Role of HRM
3. What is staffing? What are the functions of staffing?
4. Why staffing is so important in HRM? Explain in detail the Staffing Process
5. Mention the major factor included in Compensation and Benefits Administration? How it plays a major role in retention of employees?
6. Explain different On the Job Training method? What are the Benefits and Disadvantages of on the Job Training?
7. Explain different off the Job Training method? What are the Benefits and Disadvantages of on the Job Training?
8. What is Performance Appraisal? Explain different Modern Performance Appraisal Methods.
9. Define Management by Objectives (MBO). Explain how does it works.

Module D:

Employee Motivation and Leadership

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D.1 Human Factor and Motivation

1.1 Human Factors in Managing

It is obvious that while enterprise objectives may differ somewhat in various organizations, the individuals involved also have needs and objectives that are especially important to them. Through the function of leading, managers help people see that they can satisfy their own needs and utilize their potential and at the same time contribute to the aims of an enterprise. Managers should thus have an understanding of the roles assumed by people, the individuality of people, and the personalities of people.

- Multiplicity of roles
- No average person involves
- The importance of personal dignity
- Consideration of the whole person

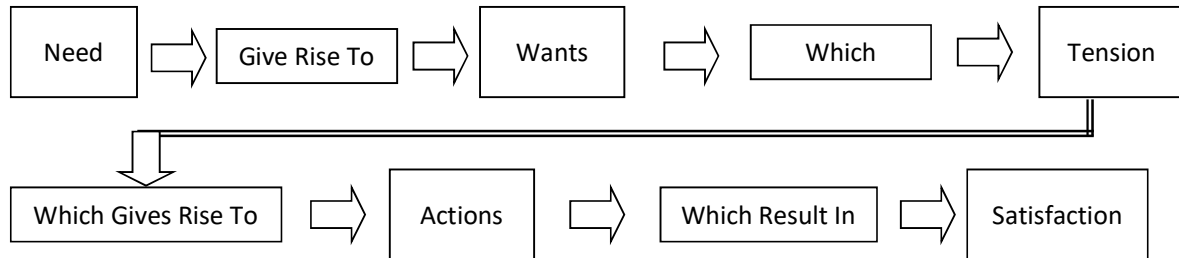
1.2 Motivation of Human Resources

Motivation is a general term applying to the entire class of drives, desires, needs, wishes, and similar forces. To say that managers motivate their subordinates is to say that they do those things which they hope will satisfy these drives and desires and induce the subordinates to act in a desired manner.

Human motives are based on needs, whether consciously or subconsciously felt. Some are primary needs, such as the physiological requirements for water, air, food, sleep, and shelter. Other needs may be regarded as secondary, such as self-esteem, status, affiliation with others, affection, giving, accomplishment, and self-assertion. Naturally, these needs vary in intensity and over time among different individuals.

1.3 The Need-Wont-Satisfaction Chain

It is possible, then, to look at motivation as involving a chain reaction. Felt needs give rise to wants or goals sought, which cause tensions (that is, unfulfilled desires), which give rise to actions toward achieving goals, which finally result in satisfaction. This chain is shown in Figure:



The chain explanation is complex. In the first place, except for physiological needs, such as food, needs are not independent of a person's environment. Many, physiological needs, however, are stimulated by environmental factors. The smell of food may cause hunger, a lower thermometer reading may cause chills, or the sight of a cold drink may cause an overwhelming thirst. Environment has a major influence on our perception of secondary needs. The promotion of a colleague may kindle one's desire for a higher position.

1.4 Some Early Motivation Theories

The previous description of the motivation process does little to specifically explain employee behavior. Let us therefore look at four theories that were formulated in the 1950s, received considerable attention, and are still frequently offered as explanations of, or approaches to, motivation. These theories were proposed by Abraham Maslow, Douglas McGregor, Frederick Herzberg, and David McClelland, respectively.

1.4.1 Maslow's Hierarchy of Needs

The best known theory of motivation was proposed by Abraham Maslow. He hypothesized that within every human being there exists a hierarchy of five needs. These needs are –

1. **Physiological:** includes hunger, thirst, shelter, sex, and other bodily needs.

2. **Safety:** includes security and protection from physical and emotional harm.
3. **Love:** includes affection, belongingness, acceptance, and friendship.
4. **Esteem:** includes internal esteem factors such as self-respect, autonomy, and achievement; and external esteem factors such as status, recognition, and attention.
5. **Self-actualization:** the drive to become what one is capable of becoming; includes growth, achieving one's potential, self-fulfillment.

As each of these needs becomes substantially satisfied, the next need becomes dominant. The individual moves up the hierarchy. From the standpoint of motivation, the theory would say that although no need is ever fully gratified, a substantially satisfied need no longer motivates. Maslow separated the five needs into higher and lower levels. Physiological and safety needs were described as lower-order needs, and love, esteem and self-actualization as higher-order needs. The differentiation between the two orders was made on the premise that higher-order needs are satisfied internally, whereas lower-order needs are predominantly satisfied externally (by such things as money wages, union contracts, tenure, and pleasant working conditions). According to Maslow, when a lower-level need is unsatisfied, we revert to that level.

1.4.2 ERG Theory of Motivation

ERG theory is an acronym for Existence, Relatedness, and Growth. These are the three basic needs that employees will try to satisfy. In the model, as one need is filled, this will provide motivation for the employee to want to fulfill another need. All three needs must be satisfied simultaneously in order for an individual to feel motivated.

- **Existence (E)**

Existence refers to our basic survival needs as humans. In this category are food and water, shelter, good health, and feeling safe. These needs can be broadly described as our basic physiological and safety needs. If you can't satisfy your basic survival needs then it is impossible to focus on other, higher needs. For example, if you don't have enough water

to drink, and you don't have ready access to clean water, then your life is in immediate peril and finding water will occupy most of your thoughts, at the expense of almost all other needs.

- **Relatedness (R)**

Relatedness refers to our need to relate to other people, that is, it refers to the relationships we have. Having good relationships and interactions with other humans is a need we all share, although obviously, this need isn't as strong as our basic survival needs. To feel happy and content most humans need to interact with others and for those interactions to be positive in nature.

- **Growth (G)**

Growth refers to our need for personal development, to be creative and to perform meaningful work. Growth allows us to explore what our potential might be within our current environment. It's easy to see why you might lack motivation if you are stuck doing the exact same job every day without variety. Conversely, if your job provides interesting and varied challenges, it's easier to be motivated as you're being presented with growth opportunities each day.

Differences between the ERG Theory of Motivation and Maslow's Hierarchy of Needs

- Unlike in Maslow's theory, needs at multiple levels can be pursued at the same time.
- In ERG Theory, if a higher-level need isn't satisfied then the person may regress to seeking to satisfy lower-level needs (Frustration-Regression principle).
- In Maslow's theory needs must be satisfied in sequence from the bottom to the top of the pyramid, one at a time. This is not the case with ERG Theory, where different levels of needs can be satisfied at any time. For example, an individual can feel that they are having their growth needs met whilst still feeling unsatisfied in their relationships.

1.4.3 Herzberg's Two-Factor Model

On the basis of research with engineers and accountants, Frederick Herzberg, in the 1950s, developed a two-factor model of motivation. He asked his subjects to think of a time when they felt especially good about their jobs and a time when they felt especially bad about their jobs. He also asked them to describe the conditions that led to those feelings. Herzberg found that employees named different types of conditions for good and bad feelings. That is, if a feeling of achievement led to a good feeling, the lack of achievement was rarely given as cause for bad feelings. Instead, some other factor, such as company policy, was given as a cause of bad feelings.

Maintenance factors: Herzberg concluded that two separate factors influenced motivation. Prior to that time, people assumed that motivation and lack of motivation were merely opposites of one factor on a continuum. Herzberg upset the traditional view by stating that certain job factors, such as job security and working conditions, dissatisfy employees primarily when the conditions are absent. Their presence generally brings employees only to a neutral state. The factors are not strongly motivating. These potent dissatisfiers are called hygiene factors, or maintenance factors, because they must not be ignored. They are necessary for building a foundation on which to maintain a reasonable level of motivation in employees.

Motivational factors: Other job conditions operate primarily to build this motivation, but their absence rarely is strongly dissatisfying. These conditions are known as motivational factors, motivators, or satisfiers.

Job content: Motivational factors such as achievement and responsibility are related, for the most part, directly to the job itself, the employee's performance, and the personal recognition and growth that employees experience. Motivators mostly are job centered; they relate to job content.

Job context: On the other hand, maintenance factors are mainly related to job context, because they are more related to the environment surrounding the job. This difference between job content and job context is a significant one. It shows that employees are motivated primarily by what they do for themselves. When they take responsibility or gain recognition through their own behavior, they are strongly motivated.

1.4.4 Expectancy Theory of Motivation:

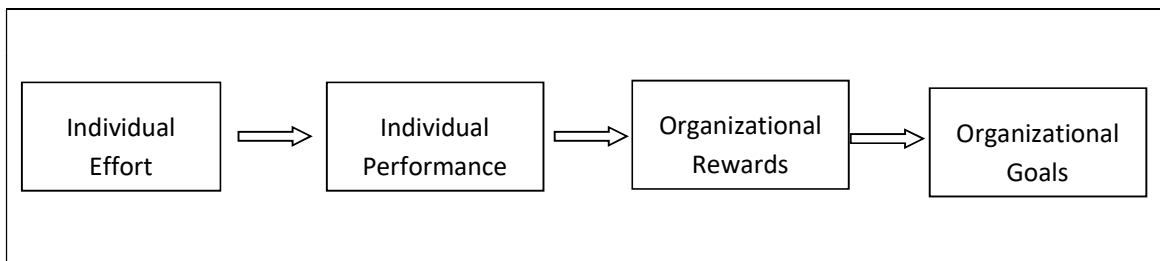
Although the early motivation theories offer insights into motivation, no single one offers a valid explanation for why some people exert a high level of effort on their job while others do not. What is needed is an integrative theory one that recognizes the importance of needs and their satisfaction but also considers the contingency aspects relevant to particular people in particular situations. Such a theory has been formulated and, though it has not been immune from attack, it is currently the clearest and most valid explanation we have of individual motivation. We are referring to expectancy theory.

Expectancy theory argues that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of the outcome to the individual. It includes, therefore, three variables:

Attractiveness: the importance that the individual places on the potential outcome or reward that can be achieved on the job. This considers the unsatisfied needs of the individual.

Performance-reward linkage: the degree to which the individual believes that performing at a particular level will lead to the attainment of each job outcome.

Effort-performance linkage: the perceived probability by the individual that exerting a given amount of effort will lead to performance.



The strength of people's motivation to perform (effort) depends on how strongly they believe that they can achieve what they attempt. If they achieve this goal (performance), will they be adequately rewarded and, if they are rewarded by the organization, will the reward satisfy their individual goals.

1.4.5 McGregor's Theory X and Theory Y

After viewing the way managers dealt with subordinates, Douglas McGregor concluded that a manager's view of human nature is based on one of two sets of assumptions about people, and that managers tend to mold their behavior toward subordinates according to which set of assumptions they hold. The first set of assumptions, basically negative, McGregor labeled Theory X; and the second, basically positive, he labeled Theory Y.

Under Theory X, four assumptions are held by the manager:

1. Employees inherently dislike work and, whenever Possible, will attempt to avoid it.
2. Since employees dislike work, they must be coerced, controlled, or threatened with punishment to achieve desired goals.
3. Employees will shirk responsibilities and seek formal direction whenever possible.
4. Most workers place security above all other factors associated with work and will display little ambition.

In contrast to these negative views toward human nature, McGregor listed four other assumptions that he called Theory Y:

1. Employees can view work as being as natural as rest or play.
2. Employees will exercise self-direction and self-control if they are committed to the objectives.
3. The average person can learn to accept, even seek responsibility.
4. Creativity that is, the ability to make good decisions is widely dispersed throughout the population, and not necessarily the sole province of those in managerial functions.

Theory X assumes that lower-order needs dominate individuals. Theory Y assumes that higher-order needs dominate. McGregor himself held to the belief that Theory Y assumptions were more valid than Theory X. Therefore he proposed ideas like participation in decision making, opportunities for responsible and challenging jobs, and good group relations as approaches that would maximize an employee job motivation.

1.4.6 The Equity Model

Most employees are concerned about more than just having their needs satisfied; they also want their reward system to be fair. This issue of fairness applies to all types of rewards psychological, social, and economic and it, makes, the managerial job of motivation much more complex. J. Stacy Adams's equity theory states that employees tend to Judge Fairness by comparing the outcomes they receive with their relevant inputs and also by comparing this ratio (not always the absolute level of rewards) with the ratios of other people as this formula shows:

$$\frac{\text{One's own outcomes}}{\text{One's own inputs}} = \frac{\text{Others' outcomes}}{\text{Others' inputs}}$$

Inputs include all the rich and diverse elements that employees believe they bring, or contribute, to the job their education, seniority, prior work experiences, loyalty and commitment, time and effort, creativity, and job performance. Outcomes are the rewards they perceive they get from their jobs and employers; outcomes include direct pay and bonuses, fringe benefits, job security, social rewards, and psychological rewards. Employees analyze the fairness of their own outcome/input "contract," and then compare their contract with contracts of other workers in similar jobs and even with those outside of their job. Fairness of rewards (equity) may even be judged in comparison with relatively arbitrary criteria like age.

1.4.7 Goal Setting

Goals are targets and objectives for future performance. They help focus employees' attention on items of greater importance to the organization, encourage better planning for the allocation of critical resources (time, money, and energy), and stimulate the preparation of action plans for goal attainment. Goals appear in our model of motivation before employee performance, which accents their role as a cue to acceptable behavior. Goals are also useful after the desired behavior, as managers compare also employee results with their aims and explore reasons for any differences.

Goal setting works as a motivational process because it creates a discrepancy between current and expected performance. This results in a feeling of tension, which the employee can diminish through future goal attainment. Meeting goals also helps satisfy a person's achievement drive, contributes to feelings of competence and self-esteem, and further

stimulates personal growth needs. Individuals who successfully achieve goals tend to set even higher goals in the future.

A major factor in the success of goal setting is self-efficacy. This is an internal belief regarding one's job-related capabilities and competencies. (Self- and efficacy is different from self-esteem, which is a broader feeling of like or dislike for oneself.) Self-efficacy can be judged either on a specific task or across a variety of performance duties. If employees have high self-efficacies, they will tend to set higher personal goals under the belief that they are attainable. The first key to successful goal setting is to build and reinforce employee self-efficacy.

- Elements of Goal Setting Are As Follows
- Goal Acceptance
- Specificity
- Challenge
- Performance Monitoring And Feedback

1.4.8 McClelland's Three Needs Theory: Power, Achievement, and Affiliation

David McClelland, a Harvard professor who spent thirty years conducting research on motivation. He sought to understand human nature and develop tools to measure how people make choices. McClelland's Theory of Three Needs outlines the three desires that an individual could possibly have. Each person is motivated by power, affiliation, or achievement. One trait is usually more dominant, but the others are present in an individual as well.

There are many theories that examine motivation, some of which have similar elements to McClelland's theory. For example, in his Achievement model, McClelland studies those who try and be better and achieve more. This is similar to both Herzberg's ideas on high and low achievers as well as Maslow's theory of Self-Actualization.

While his ideas are used primarily to assess work performance, McClelland conducted other studies that centered on motivation. He researched how motivation affected one's health; an individual's drive to succeed can cause stress, high blood pressure, or abnormal hormone levels. This demonstrated that internal factors, i.e. a motive, can cause a physical response. Some were not convinced, but these ideas provided a foundation for future studies.

1.4.9 Motivation – Three Needs Theory:

- **The Power Motive**

If an individual's predominant motive is power, they are motivated to influence others and take control. While the extreme example of Hitler in Nazi Germany may come to mind, this motive actually takes on a more mild form of coach or leader. They do not seek to implement a dictatorship but hope to motivate others, delegate responsibility and influence those around them.

A coach is a good example because it perfectly illustrates the idea of letting the players (or in this case, employees), do their job while they assess the situation and make decisions. The players and employees are aware of their responsibilities and are highly skilled to perform them.

McClelland found that power-motivated individuals were best suited for leadership positions within a company. If they were able to effectively delegate tasks in the workforce, they were often able to be successful leaders. This does not mean that all power-motivated individuals will make good leaders. Each personality is unique and those who are aggressive and authoritative may actually decrease the work performance of their employees.

The Power Motive is not without its own disadvantages. Individuals who are motivated by power are often flighty and frustrate easily. They have no problem moving locations or changing situation if the opportunity presents itself. They have a reputation for being "ladder climbers," or working their way up the organization as soon as a better position presents itself. Some believe that they are not invested in their role, but just simply biding their time until the next one is available. As they will simply abandon their position in their search for fame, recognition and wealth, it is difficult to dispel those ideas.

- **Need for Power (nPOW):** Influence, Competitive
- Typical behaviors:
 - High: Demands blind loyalty and harmony, does not tolerate disagreement.
 - Low: Remains aloof, maintains social distance.

▪ **The Achievement Motive**

If an individual's predominant motive is achievement, they are motivated to do better for the sake of doing so. They hope to exceed expectations and are pleased when they surpass their peers. These individuals like challenges and want to be in charge of their success.

Achievement-oriented individuals will change the situation or the location if they feel like it is not meeting their needs. They do not like working in groups because they do not like having limited control over the outcome. Instead, they prefer to do work where the results are clear and visible.

Many entrepreneurs are motivated by achievement. They have the drive to be successful and this is, in turn, vital to the economy. However, this may not mean that they are the best bosses to their employees. Achievement-motivated individuals often prefer to do things themselves, leading them to micromanage things in a business. They prefer not to work in a team and often fail to share the workload and responsibility. It is a double-edged sword: they experience success and rise to management positions, but this same personality is what keeps them from being successful in those roles.

- **Need for Achievement (nACH):** Personal responsibility, Feedback, Moderate risk
- Typical behaviors:
 - High: Must win at any cost, must be on top, and receive credit.
 - Low: Fears failure, avoids responsibility.

▪ **The Affiliation Motive**

If an individual's predominant motive is affiliation, they are essentially motivated by social connections. They are primarily motivated to fit in and please others, and value their relationships with their peers. These individuals appreciate familiar situations and are unlikely to leave their work location. They also do not like working alone and try to avoid disappointing their coworkers and managers at all costs.

Even though affiliation-motivated individuals work well in a team, they are often not the best employees. They are not motivated to do better as they are content to stay in their position. There is no drive to improve their employee status or their personal position, which makes them, in effect, the least effective workers.

- **Need for Affiliation (nAFF):** Acceptance and friendship, Cooperative
- Typical behaviors:
 - High: Desires control of everyone and everything, exaggerates own position and resources.
 - Low: Dependent/subordinate, minimizes own position and resources.

1.5 Money as a means of Rewarding Employees:

It is evident that money is important to employees for a number of reasons. Certainly, money is valuable because of the goods and services that it will purchase. This aspect is its economic value as a medium of exchange for allocation of economic resources, however, money also is a social medium of exchange. All of us have seen its importance as a status symbol for those who have it and can thus save it, spend it conspicuously, or give it away generously. Money has status value when it is being received and when it is being spent.

Economic Incentive Systems

An economic incentive system of some type can be applied to almost any job. The basic idea of such systems is to induce a high level of individual, group, or organizational performance by making an employee's pay contingent on one or more of those dimensions. Additional objectives include making it easier to recruit and retain good employees, stimulating desirable role behaviors such as creativity, encouraging the development of valued skills, and satisfying key employee needs. The criteria for these incentives could include employee output, company profit, cost savings, units shipped, level of customer service, or the ratio of labor cost to total sales. Evaluation of performance may be individual or collective, and the payment may be immediate or delayed, as in a profit-sharing plan.

- Incentives Linking Pay with Performance
- Wage Incentives
- Profit Sharing
- Gain Sharing
- Skill Based Pay

Economic reward, provide social as well as economic value They play a key role within several motivational models, blending with expectancy, equity, behavior modification, and need-based approaches, Employee perform a rough cost reward comparison and work somewhat near but below the breakeven point.

D.2 Leadership- Theories and Approaches

2.1 Concepts and Theories of Leadership

Leaders are expected to have certain qualities. Bosses may not be always leaders. Conceptually, leadership does not have any relationship with the position. A person engaged in top, middle, or junior management may have leadership qualities. A leadership theory describes how and why certain individuals become leaders. The focus is on the characteristics and behaviors that people can adopt to enhance their leadership ability. It is recognized that, alongside others strong ethics and high moral standards are essential qualities of a good leader. Top qualities of a leader may be as follows:

- Strong moral principles and ethics
- Excellent organizational abilities
- Competent learner
- Motive employees
- Encourages employee development
- Encourages affiliation and connection

2.1.1 Great Man Theory of Leadership

This is one the earliest theory of leadership that makes the assumption that these qualities are inherent, which indicates that leaders are born, not created, and cannot be learned. This hypothesis asserts that a leader has certain innate human characteristics, such as: Glamour; Decisive; Wisdom; Daring; Assertiveness; and Appeal. This viewpoint emphasizes the fact that individuals cannot be taught to be effective leaders. It's a quality that either you have or you don't. These abilities come naturally, thus you cannot learn them or receive training in them.

Moreover, as the theory goes, the idea holds that these leadership qualities are constant over time and apply to all organizations, regardless of the setting in which these leaders are employed. The idea that exceptional leaders emerge when they are required is another tenet of this leadership ideology.

2.1.2 Trait Theory of Leadership

The great man theory is expanded upon by the trait theory of leadership, which is predicated on the idea that effective leaders have particular personality qualities and features of behavior. They can become effective leaders in a number of circumstances thanks to these qualities. It also promotes the idea that certain people are more naturally gifted as leaders than others. Effective people have hobbies and personality traits that are very different from those of non-leaders.

The main characteristics of a successful leader are: Emotional equilibrium; Acknowledging one's duty; Competence; Recognizing obstacles; Thinking with action; Motivational abilities; Talents in communication; Tenacity and flexibility; Making decisions with assurance.

You can learn more about your limitations and strengths with the help of this leadership idea. Then, you can try to strengthen your areas of weakness. The ideal person for a leadership position is chosen by many organizations using the trait approach.

2.1.3 Transactional Theory of Leadership

Transactional theory was developed to boost company productivity, which is a leadership approach that emphasizes the value of hierarchy for enhancing organizational effectiveness. These managers place high importance on structure and utilize their authority to enforce rules to inspire staff to perform at their best. In accordance with this philosophy, workers are rewarded for achieving their given objectives. The concept also presupposes that workers must comply with managerial directives.

Managers who practice transactional leadership keep an eye on their staff, making sure they are rewarded for reaching milestones and disciplined when they fall short. These executives, however, do not serve as a trigger for a company's expansion. Instead, they concentrate on upholding the organization's policies and standards to ensure that everything goes as planned.

Leaders Who Practice Transactional Leadership: Target immediate objectives; Favor standardized processes and regulations; Discourage original thought; Emphasis on one's own interests; and Encourage performances. When there are challenges that are clearly stated and the main goal is to finish a work, transactional leadership works well.

2.1.4 Transformation Theory of Leadership

The theory is based on the relationship between leaders and the staff to attain the goal of the organization. This leadership theory contends that effective leaders inspire workers to go above and beyond what they are capable of. Leaders develop a vision for their team members and motivate them to realize it. Employee morale is raised and inspired by transformational leaders, which helps them perform better at work. These managers encourage staff members by their deeds rather than their words because they specialize in setting an example.

Leaders Who Practice Transformational Leadership focus on interactions; proactive collective work; development of employees. Such leaders receptive to the fresh concepts, and take chances and make difficult choices.

Transformational leaders, as opposed to transactional leaders, prioritize failed processes and gather personnel who get along well to accomplish shared corporate objectives. Additionally, effective executives prioritize the requirements of the organization and its employees over their own.

2.1.5 Contingency Theory of Leadership

According to the contingency hypothesis, there is no one right way to run an organization. Determining the optimal strategy for leading an organization to achieve depends on both internal and external considerations. The right candidate should fit the correct scenario, according to the contingency theory. Certain elements influence the leadership style that include: Work speed; Organizational policies and culture; Employee spirit and maturity; Relationship between coworkers or members of a team; Organizational objectives; work environment.

2.1.6 Situational Leadership Theory

The Situational theory of Leadership lists a few essential traits of a situational leader, such as problem-solving abilities, trust, adaptability, insight, and coaching. Similar to the contingency theory, this idea emphasizes the significance of context and holds that a leader should adjust to the shifting context to achieve objectives and make judgments. The level of competence and dedication of the team members can influence how these leaders choose to lead. Situational leadership, as per situational theory, attempts to develop a connection with the workforce; encourage employees; recognize when alternative leadership philosophies are required in a given situation; develop teams and organizational units.

The theory identified four styles of the situations: 1. Telling: Managers instruct staff members on what needs to be done and how to go about it; 2. Selling: Team members are persuaded to adopt a leader's concepts or ideas; 3. Participating: Effective leaders encourage their team members to take an active part in problem-solving and decision-making processes; and 4. Delegating: Limiting their involvement, leaders hand off the majority of the work to the team. Such leaders defer to the group for decision-making but they are always ready for advice.

2.1.7 Behaviorist Theory of Leadership

According to the theory, a person's leadership abilities are a product of their environment. Different learning talents contribute to effective management. The behavioral idea holds that leaders are formed and trained, not born, in contrast to the model of leadership. In other words, a leader's performance is not influenced by their inherent traits because leadership qualities are driven by behavior. Anyone is capable of becoming a leader with the right training and instruction.

As the theory goes, in order to boost the output and morale of their team, managers should be mindful of their own behavior. This theory classifies managers into the following categories depending on the leadership styles it acknowledges: Task-focused managers; Leaders who put people first; Apathetic leaders; Effective leaders; Dictatorial authorities; Current authorities; Reliable leaders; Shrewd businesspeople; Daddy-like bosses; Heads of Country Clubs. It is mainly about the style of leadership of construction professionals, team leaders, or indeed any skilled leader using the behavioral theory.

2.1.8 Behavioral Theory of Leadership

Behavioral leadership theory emphasizes on the actions of leaders and holds that other leaders are able to imitate similar actions. Because it is sometimes known, the design theory contends that successful leaders could also be developed through teachable conduct rather than being born with it. The behaviors of a pacesetter are extensively emphasized in behavioral theories of leadership; this theory contends that observing a leader's behavior is the best indicator of how successful their leadership will be.

The behavioral learning hypothesis emphasizes behavior instead of traits. Consistent with this idea, observable patterns of conduct are classified as 'styles of leadership'. Task-oriented leaders, club leaders, people-oriented leaders, dictatorial leaders, status-quo leaders, and more are some samples of leadership styles.

2.2 Leadership in Banking

Banking is a highly regulated and sensitive industry. To guide banking industry, bank boards, and top and senior executives must deliver performance while complying with firm regulations and addressing risks. Of all the businesses, banks and financial institutions became very sensitive and turbulent in the changing unpredictable business cycles. In spite of several similarities, the leadership approach and governance issues demand seeing from the perspective of banking core fundamentals that are clearly different from most businesses.

Ownership and governance have implications for bank leadership. 'Shareholders are the owners'- a core business fundamental attribute. Shareholders take entrepreneurial risks, and deserve the right and authority to decide on the policy and strategic issues of a business entity. It is really possible to relate this concept with banking industry completely? It is true that a bank is set up as an entrepreneurship activity. However, when a bank is established, it became part and parcel of an economy and numerous depositors became the major risk takers. Thus, banks are highly regulated. As crucial government machinery, Central Banks regulate and supervise banks mainly to protect the interest of the depositors and to restrict banks from undertaking excessive risks. Management of a bank practically performs the role of agents in the process of running the banks. The shareholders and the minority risk takers have the scope to play role in the banks' board and thus protect their interests. In such an ownership and governance structure, depositors are the true risk takers, and the Central Banks represent them. For successful running of the banks, one key objective of the Central Bank is to ensure sound corporate governance practices by maintaining a line between the bank management and the board. It means, for sound and secured operation of a bank, it is crucial to play a role of leadership network by the top management and board, and at the same time must not violate the thin line between them. It is obvious that bank management, employees, and board members must show their due accountability towards the depositors in the process of undertaking any decisions and guiding or running the banks. Motivating employees on this pursuit would work in forming right perception of the bank employees towards the depositors- the true owners and risk takers of the banks.

Agency Problem, Banker-Customer Relationship and Risk Management Agency problem might cause failure if not addressed. Bank executives perform banking activities as the agents and principal-agent is one of the key operational and governance challenge of the banking industry. Behaviors of principles and agents vary at the time of taking critical decisions in banks like borrower selection and using risk management tools. Seriousness of a bank manager on loan allocations and recovery efforts depends strongly upon the feeling of ownership of the bank and the fund. It is true that agent can never behave like a principle, but a motivated agent having ethical value may perform to attain the desired goals or at least close to it. Ownership

feeling for banks and funds motivate a banker for following due and objective oriented risk management in the process of addressing credit risk. Nature of banker-customer relationship is also an issue in this context. Bankers are expected to work to build relationship between a bank and the customers. Customers have to be a bank's client, may also be a banker's. This objective may be struggled in an industry where decentralized banking decision making process is in operation. Centralized and decentralized models differ in terms of the cost efficiency related to the screening of potential borrowers; coordination issues; and effective diversification of portfolios. Both have their own advantages and disadvantages. Most of the recent studies however favor centralized banking in the sense that the client targeting is more efficient, the expected profit larger and risks lower, compared with decentralized banking. In addition, centralized banking offers greater incentive to form relationship between a client and a bank (in place of a bank and a banker).

Banks International standard setting bodies and Regulatory and supervisory authority of banks have been contributing for developing 'board leadership' and sound management practices by guiding, supervising and enforcing compliance requirements. Prudential norms have always been critical in guiding banks and the following risk management practices. Restraining excessive risks and rational expansion are always critical for the sound leadership and governance approach in banks. Moreover, regulatory and supervisory authority or central bank is expected to contribute in creating the environment so that bank management may come up with due changes and innovations for sustainability. These leadership development roles may include enactment and enforcement of supportive rules and regulations; incentivizing innovation and modernizations; ensuring customers right and transparency; moral suasion for responsible and normative approach; pushing for the development of sound corporate governance practices, etc. The board and senior management are primarily responsible for the governance of the bank, and supervisors should assess their performance in this regard. It sets forth several principles that can assist supervisors in assessing corporate governance and foster good corporate governance in banks. The principle requires, supervisors should interact regularly with boards of directors, individual board members, senior managers and those responsible for the risk management, compliance and internal audit functions; and supervisors should have a range of tools at their disposal to address governance improvement needs and governance failures.

Addressing compliance requirements and leadership approach in banks are connected. The global financial crisis and the credit crunch that followed put credit risk management into the regulatory attention, and regulators are now expecting more transparency in credit operation, thorough knowledge of customers, and even greater regulatory compliance under Basel regulation. Growing financial crimes and money laundering have become a key concern to the policy makers and regulators throughout the globe. A huge bunch of regulations and compliance requirements came up as part of strategy of addressing growing financial crime and money laundering concerns. Central banks and global financial regulatory setup have

imposed considerably huge and stringent regulations and compliance requirements in recent years on the ground of enforcing anti-money laundering framework. Probably, compliance risk is the most critical risk the banking is facing today. The growing regulatory load and greater compliance imposed considerable cost burden to the banks. In such a scenario, bank shareholders and boards may need to accept lower returns, as profit growth is reduced by harder regulation and rising charges for bad loans. In an institution like banks, board and top management may have little incentive in the short-term to undertake major cost incurring venture to address such vulnerabilities. Practically, situation demands proactive and long-term strategy and leadership role of boards and top management for the sustainability of the banking industry. It is important to understand that to act on such risk management; it is a necessary pre-condition to be convinced that banks might be affected if not addressed.

Development of group leadership and emotional intelligence for better outcome in banks. Group leaderships and motivations are crucial to attain the common goals. Even in a centralized decision making system, lack of emotional intelligence might affect group outcomes at different places and thus the central goal and sustainability might be at stake. The board and top management should create an environment so that many of such failures can be transformed positively and thus ensures psychological safety to the employees. In such a scenario, employees expect emotional support and courage to overcome blow or shocks that makes a significant difference. In many instances such support helps colleagues or employees to undertake risk and initiatives for the betterment of the institution.

A confidence on the leader offers the employees and colleague with huge motivation that my leader would support me in case of my failure and ensure the required environment to take me out of the trouble if any. Such belief and confidence induce motivation and encouragement amongst the colleagues to perform better. It is the sound leadership that can create such environment and mutual trust. On the way to develop leadership skills amongst managers and other executives, some soft skill capacity development needs are crucial. It is important have capacity in the branch managers to encourage and charge up co-workers by appreciation. Actually, people need criticism and praise, and both types of feedback are extremely necessary. Nobody should demand zero mistakes from the colleagues and at the same time one must admit mistake in front of them, as a true leader learns from mistakes and encourages colleagues to learn from the mistakes.

For the group works, leaders must have the courage and open mind to take responsibility for his or her colleagues in line with the wonderful remark of Arnold Glasow 'A good leader takes a little more than his share of the blame, a little less than his share of the credit.' For developing such leadership qualities amongst bank managers and employees, it is important to make them understand the essence of considering emotions of the co-workers in pursuing the group jobs

at all levels. Practically, it is the blend of technical abilities and soft skills like emotional intelligence that contribute effectively in the professional banking. Thus, leadership network is expected to allocate due attention for capacity development on the issues.

Today, banks cannot solely rely on the risk management or auditing functions to identify the risks. Capable managers/executives having leadership qualities must be placed in key roles that involve risk management responsibilities. Focusing on compliance is not good enough; the Chief Risk Officer must have a voice to drive. Executives heading different departments and lines especially in the areas of risk management, compliance, credit review and internal audit must demonstrate similar sense of leadership. Network leadership in banks must act to handle uncomfortable business situation and difficult environment and there is danger to move on with the status quo. It is over-optimism that causes barriers to the leadership approach in risk management. By contrast, good leaders welcome different points of views and are aware of potential risks and have the ability to make more informed decisions.

The global financial crisis came up with the warning of irrational profit targets and irrational financial benefits of top management. Such aggressive behaviors caused collapse of so many banks during the crisis. However, it does not offer lessons to push down the profit targets and reducing the salaries and packages. It is not about slowing down and applying conservative approach in all situations. It mainly offers lessons on following more conscious approach on risk management and transparency; finding rationality in fixing profit targets and employee benefits; focusing on core banking businesses; having flexibility on conservative and dynamic banking approach in line with the business and economic situation.

Indicative Questions

1. What is motivation? Explain the role Human Factors in Managing.
2. Define Human Resources Management (HRM). What are the major functions of HRM
3. Explain the Need-Wont-Satisfaction Chain
4. Explain the Maslow's Hierarchy of Needs theory of motivation
5. Is there any difference between Maslow's need hierarchy theory and ERG model of motivation? Justify your answer. Explain the attribution model of motivation.
6. Define the expectancy model of motivation. How this model works in motivating the people in organization?
7. Briefly explain the concept of quality of work life. How job enlargement and job enrichment can improve employee's quality of work life? Explain.
8. Perceive organizational leadership? Explain major theories of leadership.
9. What are the key features of the situational theory of leadership?
10. Conceptualize leadership in the context of the banking industry.

Module E:

Organizational Ethics and Code of Conduct

Module E: Organizational Ethics and Code of Conduct

E1: Organizational Ethics and Ethical Leadership

1.1 Concepts of Ethics and Organizational Ethics

Ethics refers to the principles, rules and standards of moral behavior that are accepted by society as right or wrong. It tells the difference between the right and wrong. The words ethical and moral are mostly used interchangeably, as they both refer to mores, or conduct. Their etymological roots are different, but it is possible to afford them both the same practical meaning. The word ethics comes from the Greek ethos, while the word moral derives from the Latin mores. There is no clearly accepted definition for ethics. It is believed that ethics shows what it is best to do. The concept is defined either by a reflexive process relating to the notion of what is good or by a collection of normative rules. Ethics overlaps these two dimensions, because it is at once internal and external; it is endogenous. It enlists the process of reflection in order to distance the subject from what is happening. This stepping back allows us to identify, among other things, norms, values, and conclusions by anticipating the possible consequences of a decision. Such choices are those of a responsible person, one who is conscious of his or her actions and their consequences and who is capable of taking responsibility for them. This relationship with ethics is part of a search for much greater degree of consciousness and capacity for reflection, which can actually become a major challenge in organizations that favor speed and the capacity to react rapidly to situations.

Ethics as a reflexive capacity is not a panacea. However, it does emphasize the importance of the exercise of free will and the moral evaluation of consequences, and it allows for the keen exercise of discernment and judgment. Monique Canto-Sperber points out that reflection abides by rules and principles according to which we develop our beliefs; it allows us to understand the reasons for these beliefs and to recognize within these a normative impact.

Ethics is therefore a reflection that precedes action: it attempts to understand how the logic of action has been woven, what legitimates it, and what its ultimate goals may be. Ethics is reflection under construction, because it is built bit by bit, with the help of other points of view. Seen in this manner, ethics can be regarded as the heart of leadership.

Ethics is an extremely relevant concept for an organization. Organizational ethics is the application of moral standards to the situations under which the organization is operating. Organizational ethics are developed by the passage of time and custom. A custom differs from

one organization to another. If a custom is adopted and accepted by the organization and public, then that custom becomes an ethic. The concept is applicable to every type of organization. The social responsibility of the organization also requires that the organization must observe ethics in its operations.

Ethics guides the employees of the organization to decide on the best course of action in situations where it is difficult to make the right choice, or at least the best choice from among competing alternatives. Organizational ethics is also known as corporate or business ethics. It is a form of applied ethics or professional ethics that examines ethical principles and morals or ethical problems that arise in an organizational environment. It applies to all aspects of organizational conduct and is relevant to the conduct of its management and employees as well as the organization as a whole. It can be both a normative and a descriptive discipline. The range and quantity of ethical issues reflects the degree to which organizational working is perceived to be at odds with non-economic social values.

Organizational ethics express the values of an organization to its employees and/or other entities irrespective of governmental and/or regulatory laws. Ethics are the principles and values used by an individual to govern his or her actions and decisions in the organizations, entities, or banks. The way an organization should respond to external environment refers to organization ethics. Organization ethics includes various guidelines and principles which decide the way individuals should behave at the workplace. It also refers to the code of conduct of the individuals working in a particular organization.

Every organization runs to earn profits but how it makes money is more important. No organization should depend on unfair means to earn money. One must understand that money is not the only important thing; pride and honor are more important. An individual's first priority can be to make money but he should not stoop too low just to be able to do that. Employees should not indulge in destruction or manipulation of information to get results. Data Tampering is considered strictly unethical and unprofessional in the corporate world. Remember if one is honest, things will always be in its favor.

Employees should not pass on company's information to any of the external parties. Do not share any of your organization's policies and guidelines with others. It is better not to discuss official matters with friends and relatives. Confidential data or information must not be leaked under any circumstances. There must be absolute fairness in monetary transactions and all kinds of trading. Never ever cheat your clients.

Organizations must not discriminate any employee on the grounds of sex, physical appearance, age or family background. Female employees must be treated with respect. Don't ask your female employees to stay back late at work. It is unethical to discriminate employees just

because they do not belong to an affluent background. Employees should be judged by their work and nothing else.

Organization must not exploit any of the employees. The employees must be paid according to their hard work and efforts. If individuals are working late at night, make sure overtimes are paid. The management must ensure employees get their arrears, bonus, incentives and other reimbursements on time. From the organization's perspective, organization must take care of the safety of the employees. Individuals should not be exposed to hazardous conditions.

It is unprofessional and esthetical to make false promises to the consumers. The advertisements must give a clear picture of the product. Do not commit anything which your organization can't offer. It is important to be honest with your customers to expect loyalty from them. It is absolutely unethical to fool the customers. The products or services should not pose a threat to environment and mankind.

The important characteristics of the organizational ethics may be placed as several key points as follows:

Box: Important Characteristics of Organizational Ethics

- Organizational ethics are the principles, which govern and guide the management to perform organizational functions in a discipline manner.
- Organizational ethics continuously test the rules and moral standards and is dynamic in nature
- Organizational ethics is based on theological principles such as sincerity, human welfare, service, and good behavior etc.
- Organizational ethics is based on reality and social customs prevailing in business environment. Many of the ethical principles develop the personal dignity
- Organizational ethics studies the activities, decisions and behaviour which are related to human beings and has universal application.
- Organizational ethics keeps harmony between different roles of management and employees, with customer, suppliers, investors, and society.

Certain core values are associated with organizational ethics. Very specifically, ethical behavior is based on values such as trustworthiness, respect, responsibility, caring, fairness and

justice, and good citizenship. It also depends on the adherence to moral rules. Organizational values tell what is important and this, in turn, helps in making decisions about right and wrong. Core ethical values of the organizational ethics which influences the ethical behavior are as follows:

Box: Core Ethical Values in an Organization that Influence

- Trustworthiness – It is the broadest and most complicated of the core ethical values. It is a broad value concerned with all the qualities and behavior that makes a person worthy of trust especially integrity, honesty, promise keeping, and loyalty.
- Respect – Respect focuses on the moral obligation to honor the essential worth and dignity of the individual. It is expressed in terms of positive qualities such as civility, courtesy, dignity, autonomy, tolerance, and acceptance. It also involves prohibitions against such conduct as violence, humiliation, manipulation, and exploitation etc.
- Responsibility – It speaks of the moral obligations to be accountable, perusal of excellence, and exercising of the self-restraint.
- Fairness and justice – Fairness and justice embodies concern with equity, equality, impartiality, proportionality, openness, and due process.
- Caring – It is the central value relating to sincere and abiding concern for the wellbeing of others. Concepts of charity, kindness, compassion, empathy, and sharing are included under caring.
- Citizenship – The concept of citizenship includes civic virtues and duties that prescribe how the organization ought to behave as part of a community. The exercise of good citizenship requires doing one's share to make society work and demonstrating a concern for future generations. A good citizen, for example, respects the law, reports crimes, serves on juries, votes, pays taxes and protects the environment.

1.2 Ethical Leadership

Ethics cannot be considered a management tool, because it is hereby that individuals rise to the peak of our organizations. In the world today, it is increasingly difficult to lead with a clear vision of reality. Situations are complex, the context changes rapidly; obligations and duties are rarely fully defined and well delimited. More and more, rights are demanded without thought for their accompanying obligations and without taking into consideration the issue of accountability, whose indicators do not always fit with organizational realities. To this is added an understanding and application of variable geometric norms. For some, applying a standard or rule can become unethical because each situation demands analysis, rather than a blanket solution. Standards thus represent an obstacle to ethical action. For others, rules must be applied without necessarily requiring any critical reflection because their purpose is to assist in quick

decision making. A good conscience has thus been preserved since the rules have been respected. However, the good conscience of some is not always the good conscience of others.

People face new human, organizational, or structural challenges and thus encounter increasing difficulty when depending on their moral and professional capacities to identify solutions that go beyond the simple status quo. The complexity, the movement, the pressure, and the abundance of information combine to shape the administrative landscape. This raises numerous questions about the way organizations are currently led. This different approach to leadership demands adopting new professional standards of conduct at work, from the promotion of more high-minded attitudes to the search for values that have the power to unite. All these elements are often regarded as ideals, which can seem utopian to some. However, many people, workers and leaders alike, have a profound desire to bring about sustainable, more human change in the workplace. This path leads towards ethical leadership.

When potential leaders, armed with their diplomas, go for an interview, they are subjected to a battery of tests meant to assess their style of leadership. This very technical approach, however, does not reveal how such qualities might be destabilized in a real working environment. Some who work in human resources do not hesitate to transcend such technical preoccupations. Leadership style and job title are of no use in resolving situations that involve substantial ethical dilemmas, where black and white blend into grey. The sense of authority needed to handle complex situations does not automatically come with leadership, as these two terms are not synonymous. Being in a position of authority means having a defined institutional role in which certain modes of behavior, attitudes, and actions prevail. It is in the context of these social relationships that ethical leadership becomes manifest.

1.3 Ethics and Handling Banking Challenges

Occurrence of unethical behavior affects all work environments in banks and establishing formal internal controls hardly prevent unethical behavior as human behavior is influenced by a multitude of factors. Several issues like trust, leadership, and job security have influences on ethical behavior; factors such as authority, conformity, and peer pressure have a stimulus. Several fraud and unethical activities reveal that target pressure, time pressure, financial pressure (both on the personal as well as the organizational level) and operating in a very competitive environment are likely to influence unethical behavior as well. To manage ethical behavior, a bank should take the necessary time and resources to look at behavioral factors that influence employees' behavior in the organization. Attention to these factors contributes to a better understanding of fraud and unethical behavior and can help create more effective and efficient internal control systems and compliance management. One should very carefully avoid the trick of some bosses for inspiring unethical activities in the name of 'realistic

behaviors'. There is no doubt that in several instances, the aggressive banking causing unethical behaviors. It is crucial for the bank leaders and management to get insight of the factors that influence ethical behavior in the banks to adopting right approach for improving ethical culture.

Employees have to know and understand every new rule or control that is to be introduced in a bank or that has to be implemented; and at the same time, a banker must distinguish and understand clearly what accepted ethical behavior is and what is not.

It is evident that if signs of possible misconduct are not recognized and acted upon, a bank runs the risk that further incidents might occur. Suspicions of misconduct should, first and foremost, be dealt with by direct line managers. However, this is not always enough to address the issue. Employees can be hindered by barriers when it comes to raising certain issues, particularly if these are of a structural nature or if their immediate superior is part of the problem. Especially in larger organizations, the establishment of a safety net is important in this respect. Smaller banks sometimes struggle with setting up a formal reporting procedure for employees to voice concerns on possible misconduct. Crucial for setting up a procedure is that it is in line with the organization's culture. Usually a 24/7 whistle-blowing hotline doesn't work for a smaller company because of the scale. For smaller organizations there are more effective and cost-efficient solutions. Every bank should have a proper reporting procedure on possible misconduct for an important behavioral reason. Promoting ethical practices require positive and negative incentives. In a corruption-ridden system, an attempt to curb corruption will come up against entrenched work culture and can achieve only modest success to start with. But with prolong vigilance and threat of punishment, the behavior patterns may start to change. Exemplary punishment may discourage internal perpetrators in getting involved in criminal and unethical activities. It is important to react adequately to misconduct as a prevention strategy.

It is recognized that ensuring transparency has no alternative. Establishing transparency through structures and processes is a crucial strategy to foster an ethical organizational climate, which is really important to regain customer confidence. Corporate values need to be connected with Measurable Indicators. The organization included these behavioral indicators in the performance appraisal system, which was used to assess employees' performance regularly. Existing literature also confirmed a link between employee engagement and the creation of an ethical climate. The studies explained that friendly and engaging corporate culture, which resulted in a family atmosphere, a dedicated department should organize informal staff gatherings on a regular basis. Research has shown that employee engagement increases with positive peer relationships and a favorable working environment. Top management's essential role in creating an ethical environment confirms insights gained from existing literature.

Role models facilitate the acquisition of ethical behavior and ethical leadership encourages ethical leadership in subordinates. The way ethical leadership flows from the top to employees

is a new area of research and needs further investigation. Demonstrating leadership role-modeling and connecting soft and hard approaches to manage values will fuel an ethical organizational environment. Addressing corporate governance challenges is the key for drawing true benefits. Bank leadership must ensure arrangement for uninterrupted vigilance with respect to customers by having sufficient knowledge about them to detect transactions that is likely to be associated with financial crime. Developing ethical corporate culture and offering due motivation of the employees are amongst the keys to address financial crimes. However, probably the most critical step at this moment is to ensure rational and ethical conducts on the part of network leadership-board and top management by restraining profit targets and ensuring sound corporate practices.

E.2 Code of Conduct

2.1: Concepts of Organizational Code of Conduct

An organization's code of conduct is a policy document that outlines principles and standards that all employees and third parties acting on behalf of the organization must follow. The code of conduct reviews the organization's mission and values and ties these ideals to professional behavior standards. In many workplaces, codes of conduct become benchmarks of performance. Generally it is a concise, written document that defines the ethical guideposts governing the behavior of all members of the organization. It shouldn't contain every rule and regulation the organization has created, but instead offer something that everyone can refer to and easily read.

It is a necessity for an organization to have a Code of Conduct. It serves as a reference point for employees to make better choices on a day-to-day basis. While every possible ethical dilemma an employee might encounter may not be spelled out, the code should lay out the guiding principles by which employees should act and therefore lead their workforce to make the right decision.

Having a strong, ethical code of conduct is essential to building a culture of compliance throughout an organization. A code of conduct is an excellent exercise to focus the leadership team on how employees should behave at work and the standards they should uphold. These standards can have massive impacts on how the organization functions, how employees conduct themselves daily, and how the workforce interacts with others on behalf of the organization.

In several instances, there are legal reasons for implementing a code of conduct as well. All public organizations in several countries are required by law to have a code of conduct in place.

While formulating a Code of Conduct, an organization should consider specific concerns, experiences, interactions, needs, and potential reactions. Codes of conduct might be effective when they are integrated as part of a broader process that includes training, enforcement, monitoring and evaluation, and ongoing evolution.

A Code of Conduct should be comprehensive and visible that would start with a clear statement of purpose, based on your company's mission, values, and business. It should be integrated with other policies, including anti-discrimination, anti-harassment, inclusive benefits, and confidentiality policies, and should be consistent across partnerships with outside organizations, customers. It has to be a publicly shared document that is easily accessible, and highly visible.

A code of conduct should craft statements on values of the organization. Values in an organization can be a deciding factor and draw for talented employees seeking a compatible workplace; values are often what people see first when learning about an organization's culture. It is expected to have statements to support the idea that the employees will be receiving humanely and with empathy as valuable members of the working team.

Diversity should be encouraged in an organization. Specially, statements are expected on taking care to recognize groups that are excluded or discriminated on the ground of race, color, national origin, religion, sex, age, disability, sexual orientation, gender identity, marital status, or medical/genetic condition.

There should be clear statements on anti-harassment. An anti-harassment policy is a non-negotiable element of an organization to ensure that in the event of an incident, employees understand their rights and the processes available for them to seek support. Anti-harassment statements should explicitly define what is not appropriate, outline the steps for reporting an incident, and explain what to expect after a report has been filed.

Some specific statements are expected on trust and confidentiality, respectful and effective approaches to communication, preferred working methods, standards of professionalism, use of organization's property, use of social media, verbal, physical, or written abuse or assault, bullying, intimidation, or victimization, discrimination, failure to comply with company values, and workplace decorum.

Process of reporting complaints should be clearly stated. When developing reporting procedures, approach them not as a company looking to avoid liability, but from the perspective

of an employee who has been faced with an incident they need to report. Consider offering multiple options as without an option that allows for anonymity, should a situation arise where an employee may fear retaliation, an incident may go unreported. Offering easy, non-confrontational ways to resolve conflict can enable employees to self-regulate and manage incidents. Employees should know who to report to and how, and what to do if a conflict of interest interferes with the traditional reporting route.

Monitoring and conducting survey on the results of your code of conduct is a crucial process. Organizations should regularly monitor and audit the implementation of their codes of conduct, paying close attention to levels of compliance and effectiveness of enforcement mechanisms. Organizations should share the results of these audits with their employees in ways that respect the privacy of those involved. There should be regular review procedure of the code of conduct. This may be necessary to reflect changes in the law, regulations, and ethical norms. Employees should be invited to submit feedback on the code of conduct.

2.2 Code of Conduct in Banks

Alike other organizations, Code of Conduct of a bank must be a clear, consistent, motivating set of guidelines written down for a bank. Banks handle depositors' money, and thus very sensitive. Maintaining public trust, addressing clients with sincerity and respect, confidentiality of the information, and complying with the regulations must get adequate focus in the Code of Conduct of a bank.

Clients are banks' top priority, and thus banks commonly target is to create long-term relationships with them. Professionalism, honesty and integrity must therefore always guide employees' actions, behavior and communications. A code of conduct is expected to state about equal treatment of the clients with a zero tolerance policy for any form of discrimination, harassment and violence.

It is a crucial duty for a bank executive to be familiar and comply with the legislation governing the activities. Everyone should be strongly suggested in the code of conduct document to comply with laws and regulations and avoid actions or omissions that may contravene them. Following the regulations are also associated with taking care of the interests of the depositors.

Banks and financial institutions are generally crime prone. Fighting against corruption should be strongly placed in the code of conduct document. There should be reference to the Anticorruption Policy. Necessity of fighting against money laundering and terrorist financing should be clearly spelt. There should be specific suggestions for necessary measures to reduce

the risk that the bank's products and services are used for money laundering and terrorist financing purposes. There should be cautions and guidelines on accepting or giving gifts and benefits as part of the execution of the banking activities.

Safeguarding financial information is crucial. The disclosure of privileged information must comply with very specific rules set out in the Information Disclosure Policy and should be referred in the code of conduct of a bank. Employees who breach these rules could be subject to sanctions.

A successful, living code is expected to be not too long, has motivating texts, relevant topics and is well implemented via communication and training. A properly implemented code gives employees clarity, motivation and also serves as an anchor point for discussing their doubts and dilemmas. Active training and communication help clarifying the right behavior. There is also a multiplying effect that this good behavior might be seen by colleagues and therefore be copied. Communicating and training employees about the right behavior help setting the right examples in the organization. Of course, this should be done in combination with properly established internal controls: code in letters or emails; a separate intranet site on ethics and compliance; a section on the code in the in-house magazine; copies of the code available at busy locations in the bank (such as the reception, waiting rooms and the cafeteria); special information events and site visits; an app for mobile devices. Regular awareness programs, story-telling strategy might be helpful for banks. IT is also very effective to communicate and train the art of expressing right exemplary behavior for ethical development amongst the co-leaders and colleagues.

Indicative Questions

1. What do you understand by Organizational Ethics?
2. Explain the Important Characteristics of Organizational Ethics
3. Explain the concept of ethical leadership.
4. Explain the concept of Organizational Code of Conduct
5. Perceive Code of Conduct in the context of the banking industry

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