

## Performance appraisal

**"Performance appraisal is the systematic, periodic and an impartial rating of an employee's ex-celle**

**nce in the matters pertaining to his present job."** and his potential for a better job." Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future. It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals. By focusing the attention on performance, performance appraisal goes to the heart of personnel management and reflects the management's interest in the progress of the employees.

### **PAS (Performance Appraisal System) is formulated to :**

- Development areas for concentration
- Review Clarify job description and responsibilities
- Clarify employee development interests and needs
- List specific performance objectives and performance standards

### **OBJECTIVES OF PERFORMANCE APPRAISAL**

The main focus should be on developmental and not on judgmental aspects

Performance appraisal system can serve the following purposes:-

1. To review the performance of the employees over a given period of time.

2. Enable each employee to understand his role better and become more effective on the job.
3. To judge the gap between the actual and the desired performance.
4. To help the management in exercising organizational control.
5. Helps to strengthen the relationship and communication between superior - subordinates and management -employees.
6. To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
7. To provide feedback to the employees regarding their past performance.  
To provide opportunity to the employee for introspection, self-evaluation and goal setting, so that he remains in the path of development.
8. Provide information to assist in the other personal decisions in the organization.
9. Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
10. To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
11. To reduce the grievances of the employees and be an instrument for creating a positive and healthy climate in the organization that moves people to give their best and enjoy doing so.
12. Provide inputs to system of rewards comprising salary increments. Appreciation, additional responsibilities, promotion and salary administration.
13. Identifying the strengths and weakness of an employee it serves as a guide for formulating a suitable training and development programme.

14. The objective is to integrate company and individual goals through a process of performance assessment linked to organisational objectives to distinguish between differing levels of performance on relative basis.

15. To identify executives with potential to grow in the organization.

### **PRE-REQUISITES FOR EFFECTIVE & SUCCESSFUL PERFORMANCE APPRAISAL**

The essentials of an effective performance system are as follows:

Documentation - means continuous noting and documenting the performance.

It also helps the evaluators to give a proof and the basis of their ratings.

Standards/Goals - the standards set should be clear, easy to understand, achievable, motivating, time bound and measurable. Practical and simple

format - The appraisal format should be simple, clear, fair and objective. Long

and complicated formats are time consuming, difficult to understand, and do

not elicit much useful information. Identification of Key Performance Areas

(KPA's) and target setting should be done periodically. Evaluation technique -

An appropriate evaluation technique should be selected; the appraisal system

should be performance based and uniform. The criteria for evaluation should

be based on observable and measurable characteristics of the behaviour of the

employee. Communication - Communication is an indispensable part of the

Performance appraisal process. The desired behaviour or the expected results

should be communicated to the employees as well as the evaluators. Open

communication system motivates the employees to actively participate in the

appraisal process. Performance discussions and counselling should be done.

Feedback - The purpose of the feedback should be developmental rather than

judgmental. To maintain its utility, timely feedback should be provided to the

employees and the manner of giving feedback should be such that it should

have a motivating effect on the employees' future performance. Personal Bias -

Interpersonal relationships can influence the evaluation and the decisions in

the performance appraisal process. Therefore, the evaluators should be trained to carry out the processes of appraisals without personal bias and effectively.

## TRADITIONAL METHODS OF PERFORMANCE APPRAISAL

◆ **Graphic Rating Scale:** Scales consisting of a number of traits or behaviours that the rater must judge based on where the employee falls on this dimension regarding expectations. e.g. Emotional stability, knowledge, creativity, discipline. A trait like Job Knowledge may be judged on the range of average, above average, outstanding or unsatisfactory.

A form is used to evaluate the performance of the employees. A variety of traits may be used in this device, the most common being quality and quantity of work. It is easy to understand and use. It permits statistical tabulation of scores of employees.

◆ **Checklist:** The rater is given a checklist of the descriptions of the behaviour of the employees on job. The checklist contains a list of statements on the basis of which the rater describes on the job performance of the employees. A checklist is a set of objectives or descriptive statements about the employee and his behaviour.

- Under weighted checklist, value of each question may be weighted.

- Example:

- Is the employee really interested in the task assigned? Yes/No

- Is he respected by his colleagues? Yes/No

◆ **Forced Choice Method:** This method uses several sets of paired phrases, two of which may be positive and two negative. The rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Favourable qualities on plus credit and unfavourable ones earns the reverse.

♦ **Forced Distribution Method:** The rater is asked to appraise the employee according to predetermined distribution scale. Two criteria used for rating are: job performance and promotability. A five point performance scale is also used without mentioning any descriptive statements. The worker is placed between two extremes of "good" and "bad" performance.

♦ **Behaviourally Anchored Rating Scale:** Generate critical incidents (examples of good and poor job performance). Place Critical Incidents Into performance dimensions (e.g., Responsibility, Initiative, Safety). Retranslation Step (do step # 2 again with a separate group of job experts. Discard incidents where disagreement exists as to which dimension in which they belong). Calculate the mean and standard deviation of each critical incident (discard those with a large standard deviation). Place critical incidents on a vertical scale.

♦ **Field Review:** In this method, a senior member of the HR department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors' personal bias.

♦ **Essay appraisal method :** This traditional form of appraisal, also known as "Free Form method" involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts and often includes examples and 1 evidences to support the information. A major drawback of the method is the inseparability of the bias of the evaluator.

♦ **Paired comparison :** A better technique of comparison than the straight ranking method, this method compares each employee with all others in the

group, one at a time. After all the comparisons on the basis of the overall comparisons, the employees are given the final rankings.

## **MODERN METHODS OF PERFORMANCE APPRAISAL**

◆ **Management by Objectives (MBO):** The concept of 'Management by Objectives' (MBO) was first given by Peter Drucker in 1954. It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed. It reflects a management philosophy which values and utilizes employee contributions. Steps in MBO:

- Establish the goals each subordinate is to attain (sometimes collectively set by superiors and subordinates)
- Setting the performance standards for the subordinates in specified time period.
- Actual level of goal attainment is compared with the goals agreed upon. (causes are explored to assess the training needs)
- Establishing new goals specifically with the subordinates who easily attained previously set goals. New strategies are also explored. Then, the whole step is repeated. The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfil their responsibilities.

## ERRORS IN PERFORMANCE APPRAISAL

♦ **Stereotypes:** Judging someone on the basis of one's perception of the group to which that person belongs and thus cause problems in accurate retrieval of information. It can be misleading in case of employment interviews and one can lose a very deserving candidate too. Basically the person is behind closed windows and doesn't let fresh, new ideas to pop in.

♦ **Halo effect :** One attribute of a person or situation is used to develop an overall impression of that individual or situation (positive aspect). Happens at organizing stage of perception. Common - e.g. when we meet a new person who smiles at us, we have immediate first impression that the person is friendly. Can create distortion in performance appraisals, e.g., good attendance = intelligent, responsible. Need to ensure appraisal based on facts, not biased impressions.

♦ **Selective perception :** Tendency to notice those aspects of a person or situation that are consistent with or reinforce the perceiver's existing attitudes, beliefs or needs. Influences attention stage - what we notice. Most easily overcome by gathering perceptual info from others to see if one has only picked up on part of the picture.

♦ **Projection:** Assigning one's personal attributes to another individual. Happens at interpreting stage of perception. E.g., when manager assumes subordinate reacts to a work opportunity the same way as the manager.

♦ **Contrast effect:** When an individual's characteristics are contrasted with those of people recently encountered who rank higher or lower on those characteristics. Person in job interview appears stronger when immediately following a weak candidate. Awareness of potential distortion from contrast effect needed.



## **POTENTIAL APPRAISAL**

The potential appraisal refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future - oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy. Many organizations consider and use potential appraisal as a part of the performance appraisal processes.

Appraising an employee's potential helps to evaluate and his/her capability for growth and development to greater challenges, responsibilities and positions in the organizational hierarchy. Potential appraisal in appraisal processes can help in identifying and developing suitable employee base for succession planning.

**Potential Appraisal** is another powerful tool of employee development. The process of assessing the managerial potential of employees deals with the question of whether or not they have the ability to handle positions in the future which involve considerably more responsibility than what they have right now. Potential appraisal is defined as a process of determining an employee's strengths and weaknesses with a view to use this as a predictor of his future performance. This helps determine the promotability of an individual to a higher position and help chalk out his career plan. The criteria used in reviewing performance is what goals the employee achieved and what skills he or she currently possesses that could be indicators of his or her ability to assume different or more advanced responsibilities. Potential appraisal is a very crucial & critical area. If an employee without requisite abilities is promoted to a higher position and does not perform as per expectations, then

it becomes impossible to demote him. Every individual has potential, low or high. Employee can and has the ability to perform but do not perform and do not contribute to the organization's performance this may be seen in an Organization having an attitudinal problem. Dealing with employees who can perform very well on routine tasks but have limited potential also becomes tricky. If promoted, they are unable to perform higher level jobs and this too creates problems both for the individuals and the organization. 'Stars' are ideal people to have in organizations. But retaining these stars could be difficult. They have high potential backed by high levels of performance and could be always on the look-out for greener pastures. Thus, as we see, potential appraisal is more intricate and complex vis-a-vis performance appraisal.

Potential appraisal can serve the following purposes:

- To advise employees about their overall career development and future prospects
- Help the organization to chalk out succession plans
- Motivate the employees to further develop their skills and competencies.
- To identify the training needs. Techniques of potential appraisal: ® Self - appraisals
- Peer appraisals
- Superior appraisals This Performance appraisal concentrates on the future, based on the performance of the past and helps in developing the personal interests of the employees in alignment to the organisational goals. With the help of the potential appraisal form, the employees/individuals are judged on various performance and behavioural parameters like:

◆ The performance areas in which the improvement or development is indicated.

◆ The accomplishments and the targets achieved in the current appraisal period

◆ Overall rating of the performance.

◆ What skills, knowledge, competencies and qualities should be developed?

◆ Has the employee taken any steps for improving his performance and his career development?

◆ Recommendations for the training and development of the employee ◆ Updating knowledge on the latest developments on their job related and subject areas.

◆ Rate the employee on the following characteristics or how does the employee fair on follow behavioural characteristics:

■ Decision making

■ Independent

■ Confidence towards the job

■ Handling stress and pressure

■ Inter-personal skills, both with superiors and subordinates

■ Leadership, motivating and conflict handling

The past performance of the employee and the potential of performing in future helps to identify the hid talents.

## **INTRODUCTION TO SUCCESSION PLANNING**

From recruiting the right candidate to developing new leadership from within, succession planning is essential for an organization to meet its strategic goals. In today's highly competitive global environment, human capital is an organization's most important asset, often differentiating highly successful businesses from those that struggle. Yet, in the ongoing effort to develop a strong and capable workforce, many organizations focus almost entirely on hiring and training. They neglect succession planning—perhaps the most essential ingredient in building an organization that is capable of achieving its strategic goals. Succession planning requires more than just an organizational chart showing who holds what job within the enterprise. Best practice organizations use succession planning to develop and maintain strong leadership and to ensure that they address all the skills and competencies required for today's business environment. Succession planning can also be an extremely powerful tool in motivating and retaining top leadership. Succession planning is an ongoing, dynamic process that helps an organization to align its business goals and its human capital needs. It also ensures that an enterprise can keep pace with changes to the business, industry, and overall market place. To achieve outstanding results using succession planning, an organization must develop an effective and highly focused strategy that centers on organizational excellence.

## **CREATING GREATER SUCCESS IN SUCCESSION PLANNING**

**The problem** and the solution .The prevalence of formalized succession planning practices in organizations appears to be increasing, largely due to changing demographic and related trends. However, many organization leaders report low levels of confidence in their succession planning systems

and processes. Best succession and talent management practices can help organizations achieve significant benefits, including improved financial performance. A practical, five-step approach to succession planning is proposed that incorporates both best practices and an innovative application of role theory. The approach should help organizations look to and prepare for the future more effectively, including better specifying the future demands they will have for their leaders. Implications for human resource development (HRD) professional and recommendations for further research are discussed.

The ionic purpose of succession planning is to identify and develop people to replace current job holders in key positions. Through succession planning organizations ensure a steady flow of internal talent to fill important vacancies. Succession planning encourages "hiring from within" and creates a healthy environment where employees have careers and not merely jobs. It should be noted here that career planning (which covers executives at all levels), by its very nature, includes succession planning (which covers key positions at higher levels). Succession management focuses attention on creating and stocking pools of candidates with high leadership potential. It assures that key people are not just identified but also nurtured and developed into future leadership roles.

## **UNDERSTANDING THE NEED FOR SUCCESSION PLANNING**

In most cases, succession planning focuses on three main areas :

1. It addresses the needs of the organization as senior management ages. It is not unusual for a management team, particularly a CEO to spend years leading an organization. During that time, business practices and procedures become increasingly well-established and daily issues take

priority. Many a times, the enterprise neglects succession planning and does not have people available who are fully prepared to assume the top posts. Although large organizations are at risk, the problem can prove especially severe at small companies, which often flounder, and sometimes collapse, after the founder or CEO leaves. At many businesses, having little or no succession planning wrecks havoc when the organization's leader retires. Nobody is fully prepared to assume the top post.

2. **Succession planning helps an organization to prepare for an unexpected event.** A sudden illness or death of a key executive can reverberate throughout an organization, paralyzing both management and staff and impeding the organization's ability to execute its business plan. Unfortunately, diseases, automobile accidents, plane crashes, and other disasters are an ongoing reality. Mapping out a chain of command and understand who will assume control if and when a key executive is lost. When the World Trade Center attacks took place, dozens of companies lost key executives, including CEOs and CFOs, who were on the planes or in the buildings that were destroyed.
3. **Succession planning ensures that an organization has the right personnel to function at peak efficiency.** Organizations today strive to identify key objectives and business goals and shape a work-force accordingly. Although executives and senior managers play a crucial role in defining such organizations, there is a need for specific skills and competencies throughout the enterprise. Succession planning helps serve as a way to create an organizational hierarchy, but it can also help organizations conduct an inventory of human capital and better understand gaps. It can also help organizations manage change in a

more holistic way. Some organizations, such as the military, have considerable experience and expertise with succession planning. Every organization should understand the strengths and weaknesses that particular individuals possess within the organization and what is required to fill gaps in skills and competencies. The employees should be trained accordingly and appropriately.

Many Organizations have their downfall when CEOs and senior management teams fail to develop in their successors the high-level skills and competencies they will require. Sometimes internal political issues prompt a CEO to get rid of the second-in-command or other high-ranking officials. This is especially true at organizations where the CEO has molded the company and engineered a specific vision. Another problem is that even the best training program cannot always supply the talent needed to run an organization at peak efficiency. This is particularly common at companies that are growing rapidly. Some-times, it is essential to find talent from the outside. But this, too, can pose a formidable challenge. An executive search, for example, can require six months or longer. Even then, an organization might require several additional months to "groom" and train the individual for a key position or a position higher on the corporate ladder. Most companies can ill afford to take a year to replace key personnel and the skills they offer.

### **CAUSE OF FAILURE OF SUCCESSION PLANNING IN INDIAN INDUSTRIES**

More often, it is seen that in spite of good objective, systematic plan and people oriented culture, succession planning has its failure in Indian industries. The reason is basically the insecurity of managers who see a threat in any nominated succession. Secondly, managers desire to cling to a chain as long as

possible. Lastly, the manager comes in vertically and goes out horizontally in the industry. To be precise, when a person joins a company, he bargains for the higher position and moves from one industry to the other. Though there is a hike in perks, facilities, etc., and elevation in position similarly, the person leaves when he feels stagnated. Difficulties in smooth implementation of the succession management don't invalidate the value of undertaking it. Organizations can improve the quality of their succession planning by auditing the information about people and future jobs that are central to their plans. Individuals in the organization have inherent potentiality which needs to be identified, tapped and developed. It is essential to understand the potential of the individual before assigning higher responsibilities. Moreover, based on the potential appraisal succession planning needs to be done to meet the future requirement of the organization companies like Nestle India, LIC of India, etc. have successfully implemented and achieved positive results.

### **Career Planning**

The study of career and its planning takes on a very different orientation, pending on whether it is viewed from the perspective of an individual or of an organisation. A key question. then, in career planning is: with whose interest we concerned? From an individual's point of view. career planning is the ess by which an individual selects his career goals and the paths to achieve e goals. Generally, this is known as individual career planning. As contrast So this, from an organisation's point of view, career planning involves notification of individuals and charting out their career paths and designing an organisational system of career movement and growth opportunities for employees from the initial stage to the retirement stage. This is generally known career management. However, from the point of view of managing human resources,



both contexts of career planning—individual career planning and organisational career planning—can be merged together. Career planning is undertaken by both employees and organisation simultaneously career path for each employee is charted out by this exercise. Organization is as much responsible for career planning for employees as the employees themselves are (Both these aspects have been discussed later in this chapter.) Where individuals engage themselves in their career planning without refer to any specific organisation. such as lawers, doctors, consultants, etc. who engaged in pursuing their professions independently, career planning emerges as independent process. In the organisational context, career planning is joint process. From this point of view, career planning benefits both employ and organisation. Let us go through these benefits. Benefits of Career Planning to Employees In the present context, because of change in the perspective of criteria f measuring success, the role of career planning for employees has expanded. Far example, Lancaster has viewed that career success may no longer be measured merely by an employee's income or hierarchical level in an organisation; career success may now include using one's skills and abilities to face expanded challenges. or having greater responsibilities and increased autonomy in one's chosen profession.' Contemporary employees seek interesting and meaningful work: such interest and meaning are often derived from a sense of being the architect of one's own career. This can be achieved by career planning. Career planning benefits employees, specifically, in the following ways :

- 1. Explicit Career Path.** Career planning forces employees to define their career goals more specifically. With the result, every individual willing to become an employee asks the question himself: what goals will he be able to achieve by joining a particular job? When will these goals be achieved, how will

these goals be achieved? These what, when, and how taken together define the career path on which the individual should proceed to achieve his goals.

**2. Focused Self-development.** Contrary to popular belief that an organisation develops its employees, the fact is that employees develop themselves more through self-development methods. Once an individual is clear about his career path, he can make concerted efforts to develop himself by using a variety of methods (discussed later in this chapter). This self-development, based on explicit career path, takes the individual to a much greater height than what could have been possible otherwise.

**3. Increased Productivity.** We have seen earlier that career unrest, particularly in the form of career content unrest, that is, dissatisfaction with work content of the chosen career is a major source of decreased productivity. On the other hand, positive work content of the chosen career is a major source of increased productivity because work content is an intrinsic factor, and an intrinsic factor is valued more by people than an extrinsic factor. They derive meaning out of what they do. On accomplishing the work, people develop a feeling that they have achieved something meaningful for themselves, organisation, and society. This feeling leads to higher motivation to work, increased potential for self-development, and ultimately increased productivity. Through proper career planning, an individual can ensure a work content that he likes.

### **Career Planning Benefits to Organisation**

From an organisation's point of view, career planning has a long-term orientation for filling various positions from internal sources. When this

practice is followed, the organisation derives the following benefits from career planning :

**1. Assured Availability of Talent.** Successful organisations put emphasis on growing new managers internally by promotion from within.' For growing managers internally, it is essential that there is a well-worked out career path for every manager and every manager is developed to proceed effectively on this career path. From this point of view, organisation-wide career planning becomes a pre-requisite. Changing human resource requirements over the intermediate and long term should be identified when the organisation sets its long-term goals. Working with individual employees to help them align their needs and aspirations with those of the organisation increases the probability that the right people will be available to meet the organisation's changing human resource requirements.

**2. Attracting and Retaining Talent.** When Proctor & Gamble visits IIMs for campus recruitment. it furnishes a possible career path chart to each candidate to mark out his own career path. This is done with a view to attract talented candidates. Talented people are always scarce and they can be attracted and retained in the organisation only when the organisation ensures them a bright future. This can be done, to a very great extent, by effective career planning. As store individuals seek jobs that offer challenge. responsibility, and opportunity for advancement, effective career planning becomes increasingly necessary. Not only career planning helps in attracting talented people, it helps in retaining these people by matching personal and work requirements.

**3. Promoting Organisational Image.** Every year, some kind of survey is conducted by professional associations to identify the best employer in a country or in a geographical region. In this survey, high weightage is given to

"matching individual and job requirements". The phenomenon of matching individual and job requirements emerges out of effective career planning. In fact, employees are one of the best media to project the image of an organisation. If their career planned well, they will project good image of the organisation. In alternative case a bad image is created.

**4. Protecting Interests of Special Groups of Employees.** An organisation, g a social entity, is responsible for the society at large. Therefore. it has to care of those social groups which are in disadvantageous position like en, weaker section of the society. physically handicapped, ex-service men, so on. There is a social necessity to bring these groups at par with others. the organisational side, this can start at human resource planning followed career planning and development.



## **PERFORMANCE APPRAISAL**

According to Flippo, a prominent personality in the field of Human resources,

## **DIFFERENCE BETWEEN PERFORMANCE APPRAISAL AND PERFORMANCE MANAGEMENT**

### **Performance Appraisal**

- - “Event” that focuses on year-end rating by manager.
- Typically judgmental and focuses on activities, behavior personality.
- Backward looking.
- Process “owned” by Human Resources function.

### **Performance Management**

- Future oriented, starts with planning discussions at beginning of year
- Individual’s plans tied to business unit
- Process “owned” by unit manager.

## **DIFFERENT METHODS OF APPRAISALS**

### **Objective Methods**

♦ Quantity and quality of output: environmental factors, job difficulty

♦ Electronic Performance Monitoring –

½ of workers are currently monitored continuously

- Is it used to improve work quality?

- Many believe that it makes evaluation more objective

- ◆ Job Related Personal Data : Absenteeism, accidents, tardiness

### **Judgmental Appraisal Methods**

- ◆ Written Narrative Appraisals: may be ambiguous or misleading
- ◆ Ratings Scales
- ◆ Ranking Techniques: workers are all ranked from best to worst
  - Doesn't work for large #'s of employees
  - Less information than ratings
- ◆ Forced Distribution Technique: Rate employees on curve
  - What if all workers deserve good ratings?
- ◆ Forced Choice Scales: Must choose from equally favourable/unfavourable statements (only one 4 which is correlated with job performance)
- ◆ BARS (Behaviourally Anchored Rating Scales): evaluate performance in terms of critical employ behaviours
- ◆ MBO (Management by Objective): Mutually agreed upon goals Appraisal of Managers
- ◆ Assessment Centre : simulated job activities
- ◆ Evaluation by Superiors
- ◆ Peer Ratings: Good predictors of promotion
- ◆ Self-Evaluation: Leniency is a concern
- ◆ Evaluation by Subordinates : upward feedback. Good predictor of managerial success. Must be anonymous

The self appraisal form also includes a section where the employee can quote examples and incidents to support his ratings and answers. The self appraisal form generally ends with a subjective section asking for suggestions and the choice of discussing any other topic that the employee feels the need to raise and discuss.

## **JOB EVALUATION**

Job evaluation seeks to determine the relative worth of each jobs so that salary differentials can be established. In job evaluation only jobs are rated unlike in performance appraisal where only job holders are rated.



## **Biswajeet Patnaik**

The HR consultant can be internal or external, but the process of review by the senior manager is crucial not just to verify judgements about people and to help ensure consistency in the appraisal but also to incorporate the informed judgement about future head-count needs-

### **HR FOCUS: ESSAR GROUP**

The initiative taken by Essar Group in career and succession planning for employees with growth potential is as follows.

The Essar Group of Companies is the fourth largest business house in India in terms of its assets. Essar's mission is to achieve growth through strategic developments in basic infrastructure industries where liberalization in India is creating major opportunities for private investment.

Human resource policy of Essar is based on the philosophy that the success of the Group is dependent upon the development and realization of the potential of each one of the employees.

Essar formed a group human resource development centre in 1998 exclusively devoted to people development in the organization. In terms of career and succession plan, each business under the group identifies young employees with growth potential. Every year based on the performance appraisal of the previous year these selected people used to go through a personal interview by the Group HRD Centre wherein their specific interests and potentiality are identified.

Shortlisted group of each year are exposed to intensive training like goal setting and teamwork, business writing and presentation skills, and assertive skills with a systematic plan spreading over 3-5 years. The individual will attend 1-3 programmes in a year based on the mutual convenience and complete the set in the next 2-5 years. Those who do not have the background of management education are being given assistance by the company to facilitate distance learning with the B-schools. The first batch of 50 odd shortlisted employees are being exposed to empowerment workshops. Every year, one outstation camp is being organized with a suitable theme, mainly to promote a sense of togetherness and belonging and to provide them with inputs on current issues on management and economy of Indian and global industries. The next major aspect of these individuals is 'rotational assignments'. Such rotation will widen their exposure, increase their familiarization with the different aspects of their business in which they are operating in the group and enhance their effectiveness to take higher responsibilities as they grow. The aspect of development through rotation is carefully planned individually. The business I-IR heads in consultation with the respective CEOs draw out a career plan for each of these identified 50 odd executives with growth potential. In addition to attending training programmes, their participation in industry/trade seminars and conferences organized by professional bodies and federation is encouraged by the management. These opportunities help update knowledge and exchange information. The identified people are given appointment as executive assistants to senior management for a period of 1-2 years so as to get exposed to different functioning styles of senior professionals. Moreover, formal posting on temporary 'acting' assignments at higher levels is designed to cover any long absence of regular incumbents arising out of leave, deputation or

other reasons. This is helping a potential executive to learn discharging higher responsibilities. The essential prerequisite for following any or all of the above steps, is to draw out a career growth plan for the individual.

## **CONCEPT OF DISCIPLINE**

Discipline is an important aspect of Human Resources Management. Personnel management is far more important when people are being fired rather than hired. Employee indiscipline is both the cause and effect of the state of industrial relations. Other indications of indiscipline in a plant may be the high rates of absenteeism, labour turnover, accidents and sickness, multiple unresolved grievances, low and faulty turnout, increasing wastage, low motivation and morale of work-force and greater number of interruptions and conflicts. In the wider sense, discipline means orderliness—the opposite of confusion. In the military circle, the term discipline is synonymous with regimentation. In the industrial context, it does not mean strict and technical observance of rigid rules and regulations. It simply means working and behaving in a normal and orderly way, as any reasonable person expects an employee to do. It is as much a basic necessity for the people working in a plant as in other segments of society.

## **IMPORTANCE OF DISCIPLINE**

Importance of discipline in industry can hardly be overemphasized. Orderly behaviour is essential for achieving the organisation's objective. Without discipline no enterprise would prosper. If discipline is necessary even in a nuclear family or in a homogeneous unit, how can an industrial organisation with heterogeneous people, work smoothly without discipline? What the management has to do when the employee is at fault. is to take disciplinary action. Discipline should be directed against an act and not against the person. Discipline is said to be good when employees follow willingly the rules of their supervisors and the various rules of the company. Discipline is said to be bad when employees either follow rules and regulations unwillingly or actually

disobey them. Poor discipline suggests the need of correction. The fundamental reason for taking disciplinary action is to correct situations that are unfavourable to the company. Basically discipline is a form of training. When disciplinary problems arise, it may be as much management's fault as the workers. Many disciplinary problems grow out of management's failure to inform employees what is expected of them. The word 'discipline' has unpleasant associations with punishment but with the addition of the "just cause" concept involving a limitation on the employer's right to discipline and discharge, the word has been extended to embrace a system of training and education of both employee and his supervisor, designed to achieve orderly conduct. The keystone of 'just cause' is the principle of "corrective" or "progressive discipline" that is, the misconduct must be handled under a system of warnings and graduated penalties which gives the employee time to reflect upon his errors and mend his ways before the final act of discharge. when efforts at correction have failed.

### **OBJECTIVES OF DISCIPLINE**

Discipline is essential for the smooth running of an organisation, for the maintenance of industrial peace which is the very foundation of industrial democracy. Without discipline, no enterprise would prosper. The aim of discipline is to obtain a willing acceptance of rules and regulations of an organisation in order to attain the organisational goals.

As a system of orderly conduct, modern industrial discipline has many benefits for the employer and the employ-de alike. It enhances efficiency and reduces costs. Absenteeism and employee turnover are minimised. Equipment is given better care and scrap losses decline. The employees gain a sense of security and safety. They work without fear of unfair penalty for misconduct which they

could not otherwise expect. Their self-respect and respect for the company is preserved.

Two different attitudes towards discipline are in action today — the autocratic and democratic. Autocratic type of discipline is enforced by constant supervision by the superior and threats of punishment. The trouble with this type of discipline is that it does not take into account the desires of those commanded, it appeals only to the fear motives and not other positive motives and also requires constant supervision.

The new method of discipline namely the democratic type is defined as an orderly conduct of affairs by members of an organisation who adhere to its regulations even if they desire a harmoniously co-operation within the group and hope that their reasonable wishes are accorded recognition to be brought to reasonable union with the requirements of group in action. The statement that "discipline is what the leaders make it" is the observation of Fayol on managerial responsibility for discipline. A manager who shirks this responsibility is failing in his duty to manage. In many cases, indiscipline stems from the managerial faults and lapses. Even where indiscipline results from the faulty attitudes and behaviour of subordinates, the responsibility lies with the manager because of his power of influencing, controlling or eliminating their attitudes. The Government of India has prescribed model standing orders to cover disciplinary procedures.

### **Self-discipline**

The best discipline is self-discipline. Generally, if workers feel that the rules by which they are governed are reasonable, they will willingly observe them. Rules are respected not for fear of punishment but for their reasonableness and legitimacy. With the development of the human-relations approach in industry, increasing attention is being given to employees as individuals. The human-relations approach lay emphasis on developing sanctions from within, in contradiction to the traditional viewpoint which believes in controlling the worker from outside. According to the new approach a sense of responsibility is inculcated amongst the employees by means of increased participation, delegation and job enlargement. Discipline is required only when all other measures have failed. Management should ideally try to establish what has been called 'positive discipline,' an atmosphere in which subordinates willingly abide by rules which they consider fair. In such an atmosphere the group may well exert social pressure on wrong-doers and reduce the need for 'negative' (i.e., punitive) discipline. Since disciplinary actions involve penalties and dealing out penalties has dangerous implications, management must fully know when, why, how and to whom the disciplinary action should be taken. Only then this action will gain its purpose with a minimum loss of employee goodwill. Even when the conduct of an employee deserve punishment, he accepts it with some amount of ill-feeling. However, to forgo punishment when it is due, is to invite trouble and to inflict punishment when it is not due, is doubly dangerous. Most people prefer an orderly atmosphere to work. If management does not deal effectively with those who violate rules, the disrespect for order will spread to the employees who would otherwise prefer to comply. Disciplinary action in most companies is taken by line-executives. Personnel people are not the "axe men." Occasionally the personnel department is made responsible for taking final action on such serious penalties as discharge of

workers. In any case, the personnel department has a heavy responsibility to aid all executives in taking disciplinary action.

### **Negative Discipline**

Traditionally, supervisors have thought of discipline in a negative sense, i.e., only as punishment. Many executives still see discipline primarily as a means to enforce external demands for responsible behaviour. They do not place any reliance on spontaneous self-discipline. Instead they expect orderly behaviour to depend primarily on fear of penalties. Thus, they exercise discipline as punishment partly as deterrent and partly as a retributive justice. However, the ideal of discipline is to supplement and strengthen self-discipline within each individual and within the work group. Any act of clear disobedience shall be considered as a ground for disciplinary action. The type of correction depends upon the cause of poor discipline. If the attitude is unfavourable because the company is at fault, the action to be taken involves the removal of the cause and convincing the employee of the desire of the company to be fair. As already said, when the unfavourable attitude of the worker is due to his fault, the action to be taken is known as 'disciplinary action.' Now the question is how severe the penalty should be? Many companies have provided what is called 'progressive' or 'corrective' discipline which calls for increasingly severe penalties each time a man is disciplined. Disciplinary action has two major aspects—the employee is at fault because of some failing of his own and some form of penalty is to be applied. In handling disciplinary cases—the two major aspects—the steps to be taken and the principles to be followed in each step—should be carefully observed.

### **APPROACHES TO DISCIPLINE**



Management can make five possible approaches to any act of indiscipline.

### **Judicial Approach**

Under this approach, the nature of offence in a particular situation is determined by carefully weighing the evidence and taking all the steps prescribed for disciplinary procedure. The law of natural justice is followed, i.e., the offender is given an opportunity to defend himself, cite mitigating factors and to plead for clemency. This is a fair process but it is time-consuming and leads to delays. In India, we are more accustomed to this approach than to any other. This approach is best exemplified by domestic enquiry.

### **Human Relations Approach**

Under this approach the offender is treated as a human being. If he has violated the rules, the human relations approach would ask the question, why did he violate the rule? For example, sleeping during the night-shift might be due to the fatigue caused by factors over which the man has no control, e.g. illness in the family. In such a case, an attempt should be made to help the worker to get over such a personal difficulty or to change the shift of duty or to shift him to a job which he can conveniently handle rather than take an extreme view and punish him severely. Human Resources Approach Under this approach every employee is looked upon as a resource to the employer and that the human resource is the most important factor of production. This resource has to be trained, motivated and brought up to the level of efficiency required by the organisation. Indiscipline on the part of workers is due to (a) failure of the training and motivating system and (b) the individual's own failure to measure upto the requirements of conduct prescribed as the prevailing norm in the organisation. In the latter case, it is violation of the

prevailing norm. The disciplinary authority has to look into two objectives of the disciplinary process: (a) Is the violation so serious as to jeopardise the functioning of the organisation, if the offender is allowed to continue? (b) Can the offender be reformed by disciplinary action? In this context, extreme form of penalty like discharge or dismissal will be rarely resorted to, as the offending human resource will have to be trained and motivated to work within the requirements of the organisation's norm of behaviour. This approach would naturally attach a good deal of importance to discipline being more a matter of self-control or self-discipline than a matter of external control.

### **Discipline Approach**

If the organisation has well-established norms of conduct, it should try to involve groups of employees in the process of discipline. If the management succeeds in making the group accept the organisation's norms as their norms, by virtue of such involvement, then the main function of discipline will be a delegated function than a management task. The group

as a whole can control an individual worker who is its member much more effectively than the management can through penalties. Leadership Approach Every manager has to develop a leadership quality as he has to guide, control, train, develop and lead a group of men and act as a leader whatever may be his position in the organisational hierarchy. He can administer discipline among the men, whose work is under his direct supervision, much more than even the top management can. He has a day-to-day relationship with his men and the worker listens to him. Again they would listen to him all the more if his own behaviour is disciplined.

## STEPS IN DISCIPLINARY ACTIONS

Disciplinary action involves the following steps: (1) Statement of disciplinary problems. (2) Collection of full information on the case. (3) Types of penalties. (4) Choosing among the alternative penalties. (5) Application of the penalty and (6) Follow up of the case.

**Statement of Problems** The most important step in the whole process of disciplinary action is to make sure about the problem that demands discipline. Five points must be answered in arriving at a statement of a disciplinary problem: (i) Determining the nature of the violation The executive should, very carefully proceed so that the chance of falsely including a case under disciplinary action is eliminated. Right- from the start, a wise executive must not misinterpret circumstances. If an employee is falsely accused, the executive has to face unfortunate consequences of his foolish action. (ii) Stating the violation When the executive is sure that a violation has occurred, he should state objectively the character of violation. The specific rule, regulation or order that was broken must be determined. NO Determining the circumstances A violation may be excusable or not depends upon the circumstances. Any extenuating or accentuating circumstances should be considered. (iv) Individuals involved In case of violation, the executive must ascertain what individual or individuals were involved in a violation. If a single individual has broken a rule he should alone be taken to task but if other people are involved in the case, they should also be punished. (v) Nature of repetitions It is significant to state when or how often the alleged violations occurred. The frequency of violations determines its seriousness. An employee who has been absent without excuse several times in a month, deserves a

more serious reprimand than one who has been absent but once. The above mentioned steps will reduce the dangers of false accusations.

**Collection of Full Information:** Gathering facts is essentially supplementary to the preceding step as well as others to follow. When an employee breaks a rule or fails to meet the established standards of work or conduct, the executive cannot afford to ignore such unsatisfactory conduct. But instead of taking hasty action, he should make a thorough investigation into the case. The supervisor has to make sure if there are any extenuating circumstances, such as ill-health, family troubles etc. In the process of fact gathering, the executive should not confuse opinions with facts. If opinions are mistaken for facts, it is easy to reach wrong conclusions.

**Types of Penalties :** The sequence of penalties are as follows: (a) Oral warning. (b) Written warning. (c) Disciplinary lay-off and suspension (temporary removal from service). (d) Demotion in rank. (e) Withholding of increments. (f) Fines. (g) Adverse remark in service book. (h) Dismissal (removal from service for misconduct with a stigma), and (i) Discharge (removal from service without any stigma). When a man breaks a rule or fails to maintain the standard, an oral warning that repetition may eventually call for discipline is in order. At this stage disciplinary action remains unofficial because it does not become a matter of written record. The aim of oral warning is to help the employee correct his behaviour by telling him that his undesirable conduct cannot be tolerated. Written warning is the first formal stage of corrective discipline. If an employee does not respond to oral unofficial warning, then a formal written warning containing a statement of the offence is called for. In a unionised concern, such an official document should be issued in the presence of the supervisor. Written warnings are often prepared in four copies—one for the

personnel deptt., one for the supervisor, one for the foreman and one for the employee who is subject to disciplinary action. Disciplinary lay-off or suspension are next in severity. Disciplinary lay-off may be for several days or weeks. Many companies skip over this stage of discipline because it is too cumbersome to replace an employee for a few weeks. To whom written warnings fail, lay-off involving a loss of income, may be a shock that serves to bring them back to their sense of responsibility. Since suspension is a form of lay-off, it should not be used unless the offence calls for at least a lay-off. Demotion in rank or down-grading is a preliminary step to discharge. The usefulness of demotion as a disciplinary measure is questioned as it suffers from a number of disadvantages. Losing pay over a period of time is a long form of constant humiliation as compared with the sharp slap of a lay-off. Again, if a company is to retain a man in any capacity, it makes more sense to use his highest skill. Moreover, demoted employee will be constantly dissatisfied and his dissatisfaction may spread to co-workers affecting adversely the morale, productivity and discipline of the work-force. Withholding of increments as a form of punishment is seldom used these days. There is a provision for fines for certain acts of omission and commission as per section 8 of the Payment of Wages Act, 1936. Fines can be imposed only for certain acts of omission and commission specified in notices approved by the competent authority. The total amount of fine which may be imposed in any wage-period on any employed person, is not to exceed an amount equal to half an anna in the rupee (i.e. 3 paise) of the wages payable to him in respect of that wage period. No fine shall be imposed on any employed person who is under the age of 15 years. All fines shall be recorded in a prescribed register and credited to Fines Fund Account, the said fund is to be utilised only for such purposes, beneficial to the workers as are approved by the competent

authority. All major cases of indiscipline/misconduct are recorded in the service book which serves as an index of evaluation. When promotion or some other employee benefits are given. When lay-off is inevitable, those with adverse remarks are to be penalised first. Discharge remains the ultimate penalty. It is generally referred to as 'industrial capital punishment.' It is such a drastic form of action that it should be reserved only for the most serious offenses or for people who will respond to no lesser penalty. For the employee, discharge is a serious setback. It makes difficult for him to secure new job, if the prospective employer comes to know that he was discharged by his employer. Since it reduces his chances of earning a livelihood, it may affect his mental equilibrium. Even for the organisation discharge involves serious loss. They represent the time and money spent in hiring, training and supervising an employee who now leaves the firm. Consideration of such costs as well as pressure from unions have greatly reduced the number of discharge as compared with earlier times. The only plus point in discharge is that it is clearcut, forceful and final action. However, sometimes discharge for 'just cause' is necessary. It is such a serious step that correct procedure for management is important. The executive should be able to prove that he followed 'due process.' The dismissal notice should state and explain all charges against the employee. Adherence to 'just cause' requires that management should be in a position to establish the employee's guilt, thereby justifying disciplinary action. Choosing the Penalty After a case calling for disciplinary action has been properly examined and alternative penalties considered, the particular penalty to be applied should be chosen. This should be done fairly and fearlessly. To overpenalise an employee is unfair but leniency may encourage more and more violations. Every effort should be made to prevent the occurrence of disobedience, but if drastic action is

necessary, it should be taken without hesitation. Infractions of rules that go without penalty encourage the rule-breaker to continue on his way. In the choice of a penalty, it should be remembered that it will serve as a precedent if a similar case has never been handled. Employees will compare current decisions with what has gone before. Applying Penalties The next step is the application of the penalty. It involves a positive attitude on the part of the management. If the disciplinary action is a simple reprimand, the executive should calmly dispose off the matter. When drastic action is called for, a serious attitude should be taken. Reprimands and penalties are always unpleasant to handle, hence the quicker and more impersonally the matter is handled, the better. Penalties are most effective when the punishment is closely associated in the mind of the wrong-doer with the act that brings it. If the penalty is delayed, the employee may have forgotten the wrong doings and think that the company is picking on him.

**Follow-up of Disciplinary Action :** The ultimate aim of disciplinary action is to help develop good discipline. Its aim is to make sure that the employees do not willingly break rules or disobey orders. The disciplinary action cannot repair the damage done. Hence, disciplinary action must be evaluated in terms of its effectiveness after it has been applied. Disciplinary action has been effective so long as there is no recurrence of bad discipline. It is a wise practice to check the performance and attitude of employees who have been subject to disciplinary action.

**PRINCIPLES OF DISCIPLINARY ACTION :** In taking disciplinary action, it is wise to follow certain principles and to assume certain attitudes towards employees in general. 1. Announce disciplinary policy with advance warning Management should consistently follow an announced disciplinary policy. An executive is in

an unassailable position if the record shows that his action was based on established facts, that he has made a genuine effort to help the wrong-doer, given ample advance warning and finally put a hardened offender a notice that his unsatisfactory behaviour would no longer be tolerated. The employee, in turn, is responsible for the timely and proper exercise of his right to protest against any disciplinary action that is unjustified. However, he must do so in an orderly and peaceful manner. Any resort to direct action is in itself a recognised ground for discharge. Discipline is regarded as fair by workers if it is accepted without resentment and unexpected discipline is--universally considered unfair. This means that (i) there must be advance warning that a given offence will lead to disciplinary action and (ii) there must be advance warning of the amount of disciplinary action that will be imposed for a given offence.

2. Consistency If two men commit the same offence and one man is more severely disciplined than the other, naturally there will be cries of favouritism. Supervisors lose the respect of its subordinates if they impose discipline in a whimsical and inconsistent manner. Consistent discipline is fair and is far more likely to be accepted by the workers involved.

3. Impersonality It is very difficult to impose discipline without causing the person disciplined to feel resentful and aggressive. But the supervisor can minimise the danger by imposing discipline in the most impersonal way. 'Discipline is most effective and has least negative effect on individuals, if the individual feels that his behaviour at the particular moment is the only thing being criticised and not his total personality.' Once the supervisor has decided what discipline is appropriate, he should impose it quietly and impersonally. After disciplining a subordinate the supervisor must not tend to avoid him or to alter his attitude towards him. Shifts in attitude are dangerous as they generate corresponding changes in the subordinate's attitude and ultimately the whole relationship



may be destroyed. The supervisor should make him feel that bygones are bygones and that the act was punished, not the man. It is essential to believe that employees can be trusted even though they occasionally break rules. After all, even the best workers make mistakes of omission and commission. 4. Give employee an opportunity to explain Disciplinary action should not be taken without giving the employee an opportunity to explain his actions. This is an important part of the supervisor's investigation. If he gives an explanation it should be investigated to find out whether what he says is true. 5. Decide what action to take The supervisor must know the principles of "Corrective Discipline." It means the purpose of discipline is to correct improper conduct. It should not be punitive in nature; it should not be used solely for the purpose of punishment. Discharge is a disciplinary action which is not corrective in nature. So discharge should be resorted to only when previous efforts to bring about correction have failed. The application of the principles of corrective discipline consists of an initial reprimand or short disciplinary lay-off depending upon the nature of the offence. If this action does not bring about correction, a more stringent penalty should be imposed. If this action does not still impress him sufficiently, a still more severe penalty is given as a final warning. If the employee continues to engage in misconduct, then discharge is the right remedy. The disciplinary action must not be too severe but it must be severe enough to constitute a reasonable attempt to bring about correction. In deciding what disciplinary action to take, the employee's prior misconduct record should be checked. The employee's length of service as well as the period of time which has elapsed since the employee's last disciplinary action is also an important factor. Lastly, disciplinary action must be recorded as this will give an idea of happenings to any manager who might need it. 6. Disciplinary action as a tool An executive must consider disciplinary action as a

tool and not as a weapon of supervision. He should see reprimands and penalties in the same light as brakes on a car. They 'slow down' employees when needed, they act as preventive measures but they cannot cure an accident. Therefore, when a penalty is applied, it should be in the manner of using a tool and not as a threatening gesture. Executives must be convinced that disciplinary action is needful and effective. Disciplinary action is a tool that must be used for the company's benefits. Executives should not shrink from taking disciplinary action when it is needed. They must feel that penalties assigned in a given case were not only justified but also beneficial to employees. At the moment an employee may dislike to be penalised but it may be good for him in the long run. It is a general rule that nobody should be penalised publicly. In taking disciplinary action it is essential to remember that disciplinary action has its after-effects. This comes about in two ways— (i) a given penalty does or does not serve to change the employee's attitude towards company rules; (ii) a given penalty in a given case is considered as a precedent. In the future when similar wrong-doers are to be disciplined, the penalty should not be changed. Hot-stove rules Inflicting discipline puts the supervisor in an anomalous position. He expects his subordinates to continue to help him even when discipline is painful. The question is, "Can he impose discipline without generating resentment? Douglas McGregor thinks that it can be done by what he called the 'hot-stove rule.' This rule draws an analogy between touching a hot-stove and undergoing discipline. When you touch a hot-stove your discipline is immediate, with warning, consistent and impersonal. Let us look at these four characteristics as applied to discipline. When Mr. X burns his hand he is angry with himself. Sometimes he is angry with the stove too, but not for long. He learns his lesson quickly because: (1) the burn is immediate (2) he had warning (3) the discipline is consistent and

anyone who touches the stove is burnt (4) the discipline is impersonal — a person is burnt not because of who he is but because he touched the stove. The person is disciplined not because he is bad but because he had committed a particular act. The discipline is directed against the act, not against the person. There will still be resentment against the source of the discipline, but the more automatic the discipline becomes, the more the resentment is reduced.

### **ROLE OF THE UNION**

Discipline is properly a management function in which the union does not take part. The union's true role here is that of a protagonist in protecting its members against unjust management action. Unions rarely object to discipline, provided it is applied consistently and the rules are clearly publicised and considered reasonable. Management should not expect the union to discipline members who violate the rules. When the union does impose discipline, it is abandoning its traditional role as worker's defender and management is failing to assume its responsibilities. Most union contracts require (a) that the company may discipline employees only for 'just cause,' (b) and that any employee who feels he has been unjustly disciplined may appeal to higher management through the grievance procedure and if management's answer is unsatisfactory, to arbitration. The arbitrator makes the final decision on whether the discipline was for 'just cause.'

### **STATUTORY LAW ON DISCIPLINE**

Under the Industrial Employment (Standing Orders) Act, 1946, every industrial establishment, employing 100 or more workmen (50 in West Bengal) is

required to define with sufficient precision the conditions of employment including the rules of discipline and procedure for punishment for indiscipline.

**Object of Standing Orders:** The object of the standing orders is to require employers in industrial establishments to define precisely the conditions of employment including the rules of indiscipline and procedure for punishment for indiscipline and to make this known to the workmen employed by them. The rules relating to conditions of employment are known as Standing Orders. The Central and State Governments have framed their own rules on matters relating to conditions of employment which are known as Model Standing Orders. Model Standing Orders is applicable to the establishments and they continue to remain applicable till the standing orders framed by the establishment itself are certified and become applicable. The standing order framed by the establishment should be in conformity with the Model Standing Order issued by the Government.

**Acts of Indiscipline or Misconducts** Every act of indiscipline is called a misconduct. Under the model standing orders, suspension has been provided for. These acts of indiscipline include the following:

- i) disobedience and insubordination
- ii) theft, fraud, dishonesty in connection with employer's business of property
- iii) wilful damage/loss of employer's goods
- iv) taking or giving any bribes/illegal gratification
- v) habitual absence/unauthorised absence for more than 10 days
- vi) habitual late attendance

- vii) habitual breach of any law applicable to the establishment riotous or disorderly behaviour during the working hours at the establishment or any act subversive of discipline
- ix) habitual negligence or neglect of work
- x) frequent repetition of any act of omission for which fine may be imposed. and
- xi) striking work or inciting others to strike in contravention of any law.

### **DOMESTIC ENQUIRIES**

Domestic enquiry is the expression used in industrial employment while departmental enquiry is the expression used in government employment.

Both imply an enquiry into an allegation of misconduct against an employee of the organisation. It embodies judicial approach to discipline. All such enquiries are guided by two principles of natural justice.

- (1) No man shall be the judge in his own case and
- (2) Hear the other side.

The first principle precludes the appointment of a person for conducting the enquiry who himself is interested in the outcome. The second principle places upon the authorities the obligation of affording every opportunity to the offender to defend himself.

### **Procedure for Domestic Enquiries**

The procedure for domestic or departmental enquiry by an employer into the misconduct of his own workman is as follows:

**(1) Charge-sheet** If a prima facie case has been established and the offence is quite serious, a charge-sheet may be prepared on the basis of the allegations made. It should be in writing, detailing the allegations of misconduct. It should also indicate the time within which the workmen charge-sheeted should submit his explanation. The charge made in the charge-sheet must be clear and precise.

**(2) Suspension** :Where, in the interest of discipline, the shutting out of the charge-sheeted workman is necessary, the employee should be suspended. He is to get wages for the period of suspension if so provided in the standing orders.

**(3) Service of charge-sheet** : If the workman is present, charge-sheet should be handed over to him in the presence of witness after explaining the contents of it in a language known to him. If the delinquent workman is absent or refuses to accept the charge-sheet, it should be sent to his last address under registered post with acknowledgement due. If he refuses to accept it or if it comes back undelivered otherwise, the charge-sheet has to be published in a local newspaper with wide circulation.

**(4) Explanation** :The explanation given by the worker within the given time has to be considered.

**(5) Notice of enquiry** : If the explanation is found unsatisfactory, a notice giving the time, place and date of the enquiry together with the name of the enquiry officer has to be served on the worker. The enquiry officer must not be the one who has issued the charge-sheet because it is a principle of natural justice that a person is disqualified to act as a judge if he is-a party to the dispute.

(6) Enquiry At the appointed time, on the appointed date and place the enquiry will commence by the enquiry officer in the presence of charge-sheeted workman. At the commencement of the enquiry the enquiry officer should explain the charge-sheet to the worker. If the charge-sheeted workman pleads innocence, the enquiry should be proceeded. If he pleads guilty in writing. the enquiry need not be proceeded.

(7) Fact-findings On completion of the enquiry, the enquiry officer is required to submit his findings to the authority authorised to take disciplinary action. He should state in his report the charges as well as the explanations given to them. The enquiry officer should not recommend any punishment in his findings.

(8) Decision The higher management, such as works manager or director, for taking disciplinary action shall consider the findings and if he accepts the findings of guilt, he should inflict appropriate punishment in accordance with the standing orders.

(9) Service of the order Any order of punishment should be served on the charge-sheeted workman and this completes the procedure for domestic enquiry.

## **GRIEVANCE SETTLEMENT**

Employee grievances are situations in which the employees are dissatisfied with the company. The subject of grievance should- be discussed under the following headings — (1) Basic considerations of grievance handling. (2) Steps in handling grievances and (3) Principles of handling grievances.

Basic Consideration Grievance refers to any discontent or dissatisfaction, whether expressed or not and whether valid or not, arising out of anything

connected with the company that an employee thinks, believes or even feels, is unfair, unjust or inequitable. Grievances have considerable significance as harbingers of industrial disputes. Unresolved grievances can become industrial disputes, that is why grievances are considered to be tips of the iceberg on industrial conflict. Grievances can be described as "embryonic" disputes which need to be resolved at the earliest opportunity. The three cardinal principles of grievance settlement are — settlement at the lowest level, settlement as quickly as possible and settlement to the satisfaction of the aggrieved. In the first place, in handling grievances, stress must be laid either on the causes of trouble or upon the resulting trouble. If an employee is disgruntled because he was not given a due promotion, some may call the unreceived promotion the grievance whereas others may call the disgruntled attitude the grievance. Secondly, a grievance arises out of something connected with the company. Something in the company, either its activity or supervision or policy may be the source of a grievance. Thirdly, discontent and dissatisfaction may be expressed or implied. However, most companies recognise as grievances only those that are expressed in writing. Channels of handling grievances should be carefully developed and this information should be disseminated amongst the employee. It is necessary that employees know the channels through which they ventilate grievances. There are two procedures for the settlement of grievances — open door policy and step-ladder procedure. Some companies have an informal and open-door policy for grievance handling and employees are free to go up to the top level executives with their grievances for redressal. In large companies open door policy is not suitable. Consequently, most companies have introduced a step-ladder procedure for the settlement of grievances. Under this procedure, an aggrieved employee will first present his grievance to the first-line supervisor. In other words, a grievance should be



dealt with in the first instance at the lowest level. If it is settled, there is no dissatisfaction to the aggrieved employee, the matter will end there. In case he is not satisfied with the decision of the supervisor, the employee with grievance will go to the next higher authority — the departmental head. Even if the grievance of the employee is not settled at this stage, provision must be there for a third step in handling grievances. At the third stage, a joint grievance committee reviews the grievance. Employees failing to get satisfaction even at this stage should have ready access to the chief executive of the company. The top executive of the company is established as a final court of appeal. In most of the procedures, the personnel officer does not form a step but his assistance is also available for handling grievances. In handling grievances, management should avoid, as far as possible, the legalistic approach because constant references to standing orders might complicate the case.

**Steps in Handling Grievances**

In handling grievances, the following steps are in order:

- (a) Define or describe the nature of the grievance as clearly and as fully as possible;
- (b) Collect all the facts that help to explain how, when, where, why and to whom the grievance occurred;
- (c) Establish tentative solutions to the grievance;
- (d) Collect additional information to check the validity of the tentative solution;
- (e) Apply the solution and
- (f) Follow-up the case to make sure that it has been handled satisfactorily and the grievance eliminated.

Defining or describing a grievance implies that it has been expressed. Having defined the grievance as clearly as possible, the next step is to gather all pertinent facts connected with the case. The executive handling the grievance must know when the alleged grievance was first experienced, whether it has been repeated or not, how and where it took place and the circumstances under which it transpired. This due process will go a long way to gain the confidence of the employees. Employees should be fully convinced

that management is perfectly sincere in seeing that justice is done. After getting a clear picture of the grievance, the next step involves the establishment of tentative solutions. On the basis of the tentative solutions, facts are gathered. The executive establishes tentative solution and then observes critically whether his hypothesis is right or wrong. If he thinks it to be wrong, then he sets up another tentative solution and proceeds this way until he finds the right answer. In the next step tentative solutions are verified. It is now necessary to take each bit of the available information and to match it against the possible solution. If sufficient information has not already been gathered, an effort will be made for more information. The executive may hold further conference with aggrieved employee and question other employees. Having reached a final decision, it should be applied without delay. Lastly, the executive should not conclude that the grievance has been settled until a check is made to determine whether the employee's attitude has been favourably changed. There are several checking methods. The most commonly used method is casual observation—taking note of how that employee is taking the decision, whether favourably or unfavourably. The second method is more direct — asking the employee whether he is satisfied with the decision. The third method is to hold a general discussion with the employee with a view to deducing his attitude indirectly. The fourth method is to ask other employees about the aggrieved employee's reactions.

### Principles of Handling Grievances

In handling grievances, a number of principles have been discovered by trial and error which, if strictly followed, is likely to lead to desirable results.

1. Grievance procedure should be demonstrated fairly. The attitude of the supervisor is very important. He should accept the employee's right to appeal as long as no by-passing is involved. In a unionised company, supervisors

should also recognise the employees' right to be represented by a union official, if they so desire.

2. The provisions of a grievance procedure should be definite and clear. No grievance procedure can work satisfactorily unless there are definite provisions, consistently adhered to determining what is to be done, when and by whom. Every employee should know (i) to whom grievances are to be filed and (ii) in what form — written or oral.

3. The grievance procedure should be simple. It should be simple enough so that it can be easily understood even by the employees who have had little formal education.

4. It should function promptly and speedily. Prompt action is not only desirable from the complaint's point of view, but also from the management's point of view. Since delay causes frustration and tempers may rise, it is necessary that grievances should be dealt with speedily. It is a common saying that justice delayed is justice denied and this is equally true in industrial world. However, any unnecessary delay constitutes another grievance. Settlement of grievances "in the shortest possible time and at the lowest level possible," is the ideal one.

5. In the grievance procedure, the supervisor should develop an attitude towards his employees that will result in gaining their confidence.

To gain confidence, the supervisor must show the right attitude towards the aggrieved employees. He should display a sincere interest in the problems of the employee and a willingness to be of help. Although the supervisor is mainly the representative of management to the employees, he is also a representative of employees to the management.

6. In handling grievances, supervisors must have confidence in themselves, be fully aware of their responsibilities and be ready to carry them out. An executive who has no self-confidence soon finds that his employees are aware of this and tend to be wary of him. Most of the employees never go to such supervisors with their grievances, as a result the prestige of the executive suffers.

7. Total effects of the decision should be considered. In handling grievances, thoughts must be given not only to the short-run effects of a decision but also to its long-run implications. A decision reached today has an immediate effect and also likely to have an influence upon the future relationship between the employees and the management. Consequently, grievances should be handled in terms of their total effect on the company and not merely in terms of their individual or immediate effect. In handling grievances, the executive should remember that it takes a long time to gain the confidence of employees but it can be lost overnight by a foolish decision or inapt handling of a single grievance. Every grievance must be considered important, however insignificant it appears. Eternal vigilance is not only the price of liberty but also of good industrial relations. Lastly, labour and management should solve their difficulties through the process of bargaining and negotiation. Actually this does not always happen. Hence, it is necessary to provide for the services of third person—the arbitrator—to help in solving grievances.