

# Organisational Behaviour and Human Resource Management

(With Case Studies)

**Nikita Prajapati  
Sheetal Kejriwal**



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# Organisational Behaviour and Human Resource Management

(With Case Studies)

(As per the New Syllabus of Mumbai University for S.Y. BMS, Semester III)

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# Preface

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This 21st century is quite challenging and to meet the requirements of this challenging environment, Mumbai University has revised the syllabus for BMS students. Revised syllabus has become effective from the present academic session 2015-2016. This book is made to meet the requirements of BMS students as this book is as per the revised syllabus of Mumbai University. This book tries to explain the concepts of organisational behaviour and human resource in simple terms.

According to the requirement of syllabus, book is divided into four units where the first unit deals with cross-cultural dynamics in organisation and different organisation behaviour models. Second unit deals with conflict management techniques, time management and organisational design. Third unit deals with human resource management, planning and developing human resource whereas the fourth unit deals with appraisals, compensation management and career planning of employees in organisation.

The book will prove useful for students and teachers. We request the readers to point the errors in the book as there are chances of errors in such a kind of work. Suggestions from teachers and students are appreciated for improvements in subsequent editions.

**Authors**

# Acknowledgements

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First and foremost, I would like to thank Goddess Durga. In the process of writing this book, I realized how true this gift of writing is for me. You gave me the power to believe in my passion and pursue my dreams. I could never have done this without the faith I have in you, the Almighty.

I wish to personally thank the following people for their contributions to my inspiration and knowledge and other help in creating this book

I dedicate this book to my husband Diipesh for standing beside me throughout the assignment of writing this book. He has been my motivation for continuing to improve my knowledge and move my career forward. I am thankful to my parents, for encouraging me to complete this work. I am also thankful to my co-author Ms. Sheetal Kejriwal for her cooperation in writing this book. In the end, my special thanks to our publishers for trusting and giving the opportunity to write this book.

**Nikitaa Prajapati**

I dedicate this book to my son Devansh, as all good things started happening in my life after you came.

First and foremost, I express my sincere gratitude to LORD KRISHNA for giving me strength to write this book.

I am thankful to my husband, my parents and my brother for their support and cooperation.

Thanks to Mr. Anil Tiwari for giving me time to write this book.

My sincere thanks to CI as it would not have been possible without your guidance.

I am thankful to Dr. Chandra Iyer Mano Bhatia, Suraj Agarwala, Madhu Shukrey, Fleur Dsouza & Anand Dharmadhikari for their suggestions, thank you all my friends.

I am thankful to Mr. Srivastav for giving me this opportunity and showing trust in me.

My special thanks to my co-author Nikitaa Prajapati.

Last but not the least, I would like to thank all my teachers and my dear students, its because of you I have been able to write this book.

**Sheetal Kejriwal**

# Syllabus

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## Objectives:

- The objective of this course is to familiarise the student with the fundamental aspects of various issues associated with Human Resource Management as a whole.
- The course aims to give a comprehensive overview of Organisational Behaviour as a separate area of management.
- To introduce the basic concepts, functions and processes and create an awareness of the role, functions and functioning of Human Resource Management and Organisational Behaviour.

No.	Name of the Topic	No. of Lectures
<b>Unit 1</b>	<ol style="list-style-type: none"><li>1. Introduction to Organisational Behaviour – Concept, Definitions, Evolution of OB.</li><li>2. Importance of Organisational Behaviour – Cross-cultural Dynamics, Creating Ethical Organisational Culture and Climate.</li><li>3. Individual and Group Behaviour – OB Models – Autocratic, Custodial, Supportive, Collegial and SOBC in Context with Indian OB.</li><li>4. Human Relations and Organisational Behaviour.</li></ol>	<b>(12)</b>
<b>Unit 2</b>	<ol style="list-style-type: none"><li>1. Managing Communication – Conflict Management Techniques.</li><li>2. Time Management Strategies.</li><li>3. Learning Organisation and Organisational Design.</li><li>4. Rewards and Punishments – Termination, Layoffs, Attrition, Retrenchment, Separation and Downsizing.</li></ol>	<b>(13)</b>
<b>Unit 3</b>	<ol style="list-style-type: none"><li>1. HRM – Meaning Objectives, Scope and Functions.</li><li>2. HRP – Definition, Objectives, Importance, Factors Affecting HRP, Process of HRP, Strategies of HRM and Global HR Strategies.</li><li>3. HRD – Concept, Meaning, Objectives and HRD Functions.</li></ol>	<b>(17)</b>
<b>Unit 4</b>	<ol style="list-style-type: none"><li>1. Performance Appraisal – Concept, Process, Methods and Problems, KRAs.</li><li>2. Compensation – Concept, Components of Pay Structure, Wage and Salary Administration, Incentives and Employee Benefits.</li><li>3. Career Planning – Concept of Career Planning, Career Stages and Career Planning.</li></ol>	<b>(18)</b>

# Paper Pattern

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**Maximum Marks: 75**

**Time: 2.5 Hours**

- Note:** 1. All questions are compulsory subject to internal choice.  
2. Figures to right indicate full marks.

<b>Q.1. Attempt any 2 Questions</b>	<b>(15 Marks)</b>
(a)	(7.5 Marks)
(b)	(7.5 Marks)
(c)	(7.5 Marks)
<b>Q.2. Attempt any 2 Questions</b>	<b>(15 Marks)</b>
(a)	(7.5 Marks)
(b)	(7.5 Marks)
(c)	(7.5 Marks)
<b>Q.3. Attempt any 2 Questions</b>	<b>(15 Marks)</b>
(a)	(7.5 Marks)
(b)	(7.5 Marks)
(c)	(7.5 Marks)
<b>Q.4. Attempt any 2 Questions</b>	<b>(15 Marks)</b>
(a)	(7.5 Marks)
(b)	(7.5 Marks)
(c)	(7.5 Marks)
<b>Q.5. Case Studies</b>	<b>(15 Marks)</b>

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## PART - I

# 1 Introduction, Evolution and Importance of OB

## Chapter

### Structure:

- ☛ Introduction, Concepts and Definitions of OB
- ☛ Definitions
- ☛ Evolution of OB
- ☛ Nature and Characteristics
- ☛ Importance
- ☛ Scope
- ☛ Objectives/Goals of OB
- ☛ Questions for Practice

## INTRODUCTION

‘It is people who make an organisation but organisations make people too.’

Few things touch our daily life as organisations do. We depend on organisations for education, employment, food, clothing, shelter, health, wealth, recreational, travel, and much more. They touch each and every aspect of human life but most of us have a casual attitude towards organisations. Organisation importance is noticed when they fail to deliver their goods and services to us.

For example, when electricity fails we blame the electricity board, when train stops running we take notice of the indifferent services of Railways. When doctors in the government hospitals go on strike we blame the government and so on. It is essential for us to understand what these organisations are, how do they function and how to make them more effective in their functioning.

**Meaning:** The word organisation is derived from the Greek word organon, itself derived from the better-known word ergon which means “organ”. An organisation is a collection of people working together in a division of labour to achieve a common purpose.

Organisations are extremely complex systems. The two most important element that makes the

organisation a Complex system are People and Technology. The survival, growth and success of the organisation depends on the ability to understand, manage and make the most effective and fruitful combination of these two elements.

However, this is not an easy job. As every individual is unique and every individual is different with regard of their choices, background, education, communities, religion, personal attributes etc; to understand and predict the behaviour of people is the most challenging task in the organisation.

Mastering technology is also not an easy task since, what is recent becomes ancient in no time due to the rapid rate of discoveries and improvements on day-today basis.

Thus, when two complex systems like technology and people come together, the result is an extremely socio-technical system..

The study of understanding this complicated yet interesting socio-technical system is the task of organisational behaviour. The knowledge of organisation behaviour tremendously helps the managers fulfill their duties and to create a more effective work place for achieving all organisational objectives.

OB is nothing more than developing our understanding and development of people skills. A multi disciplinary field devoted to understanding individual and group behaviour, interpersonal processes, and organisational dynamics.

OB is concerned with the study of what people do in an organisation (social system) and how that behaviour affects the performance of the organisation.

- ☛ Individual behaviour
- ☛ Individual and group behaviour
- ☛ Organisation structure.

Organisational behaviour is the study of both group and individual performance and activity within an organisation. Internal and external perspectives are two theories of understanding organisational behaviour by companies organisation.

This area of study examines human behaviour in a work environment and determines its impact on job structure, performance, communication, motivation, leadership, etc. Let's take a look at how the perspectives are different through examining Ninja Corporation.

Organisational behaviour studies the impact of individuals, groups, and structures have on human behaviour within organisations. It is an interdisciplinary field that includes sociology, psychology, communication, and management. Organisational behaviour complements organisational theory, which focuses on organisational and intra-organisational topics, and also human resource studies, which is more focused on daily business practices.

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## DEFINITIONS

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“OB is directly concerned with the understanding, predicting and controlling of human behaviour in organisation.”

– **Luthans**

“The study and application of knowledge about how people – as individual and as groups – act within organisations.”

OB can be defined as studying, predicting, and managing human behaviour caused by individuals, groups, and structures towards the requirements of organisation strategies.

OB is a study of behaviour of people at different levels like:

- ☛ Individual level
  - ☛ Interpersonal level
  - ☛ Group level
  - ☛ Intergroup level
  - ☛ Organisational level
  - ☛ Inter-organisational level
- ☛ **Individual level:** As organisations is a socio-technical system, the study of OB includes the style of individuals behave in different situations in the organisation. Their actions, reactions, attitude, performances etc at individual level.
  - ☛ **Interpersonal level:** As we all know and as per Maslow's third set of needs, i.e., social needs people wish to have good relations with the people around. In this case the behaviour of the individual will change while interacting with others.
  - ☛ **Group level:** Groups are the formal arrangements of people in the organisation for the accomplishment of organisational goals. Individual's behaviour differ when they are placed into groups. OB studies the variations in individuals behaviour *vis-a-vis* behaviour in group.
  - ☛ **Intergroup level:** As organisation is divided into many departments as well as further small small group, the behaviour of individuals further changes with the members of other groups. OB is concerned with coordinating and controlling the performances of various groups for the smooth attainment of goals.
  - ☛ **Organisational level:** At this level, OB examines the organisation, structure, the culture followed within and its impact on individual and groups.
  - ☛ **Inter-organisational level:** Inter-organisational relationships also is an important area of study in OB, mergers, takeovers, acquisitions, etc. and its impact on the employees.
- Hence, it is important for the managers to understand human behaviour at all levels if they want to get the work done and deal effectively with people. OB, thus, helps them to do so.

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## OBJECTIVES/GOALS OF OB

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The study of OB revolves around the human behaviour in the organisation. The objectives of Organisation behaviour can be described as follows:

- ☛ **Understanding the behaviour:** The first and the foremost objective is to understand the behaviour of the employees at workplace in different situations and to study the reasons behind those actions. It is an important function of OB. The knowledge of OB helps the managers to understand the nature of their employees better and also guides them to deal with it.
- ☛ **Describing the behaviour:** Organisation behaviour describes how people behave in

different situations under different conditions. This function includes collecting information about the employees behaviour and then to describe them correctly. This helps in goal setting target framing, performance appraisals, etc. It helps the managers to describe and communicate various aspects.

- ☛ **Predicting/forecasting the behaviour:** Better understanding of the behaviour and its causes helps the managers to predict the behaviour of their employees in different situations. After studying the behaviour of their employees they are likely to predict the actions and reactions of the employees as well as to know who can prove more productive for the organisation and who is disruptive. Thus, managers can take appropriate actions to improve the performances of their employees.
- ☛ **Controlling the behaviour:** this is the final objective of organisation behaviour to control or influence behaviour in certain ways that will be beneficial to everyone in the organisation. OB gives the capacity to the managers to predict about their employees like, who are likely to be disruptive and who are likely to be sincere and accordingly they can plan out their ways to guide the employees for the betterment of their performances.

The true goal of OB is however to serve a human tool to the organisation for human benefit.

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## NATURE AND CHARACTERISTICS OF OB

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1. **OB is multidisciplinary in nature:** The study of OB revolves around the nature of people and organisation. Several fields and researchers from various field have contributed to the OB. The major science that have contributed to OB in nature are Psychology, Sociology, Social Psychology, Anthropology, and Political Sciences. That is why the study of OB is termed as interdisciplinary. In nature, OB applies knowledge, information from other fields to improve relationships between people and organisations
2. **Research knowledge and conceptual frameworks:** The study is based on various researches and frameworks given by various researchers. Different approaches like scientific approach, operational approach and hawthorne study have provided framework.
3. **The theory and research have been accepted by the practicing managers:** As the study includes understanding the very sensitive and challenging areas like individual behaviour, group behaviour, interpersonal behaviour, inter group behaviour, organisational culture, inter organisational cultures, etc. Only theoretical knowledge cannot give fruitful results so the managers are over the period of time implementing the findings of the researches and then accepting its practicality.
4. **Individual behaviour:** As every individual is unique and it is very challenging to study and understand the individual's behaviour at different times, a vital part of OB leads towards better performances and goal accomplishment.
5. **Group Behaviour:** A group is a collection of individuals who have mutually dependent relationships who interacts, perceives themselves to be a group. Every individual's behaviour changes when they work in group. Its been proved by researches that:
  - ☛ People behave differently in different situation.
  - ☛ People behave differently in same situation as well.
  - ☛ People behave in a same way in different situations also.

Study of OB includes this variations in the group behaviour.

6. **No “one best” way:** As every employee differs from each other in terms of their tradition, culture, education, background, income, etc. as every organisation differs with each other in terms of size, type, nature etc like wise the culture of every organisation also differs in various respects like the work culture, the objectives, policies, rules, etc. so to every problem in the organisation there cannot be a “one best way” as every problem has to be handled differently.
7. **Diversified approach:** As the concept of OB is multidisciplinary, the approaches by various writers towards the study of OB is also diversified. The areas of researches vary, the outcomes, the findings also vary the solutions of various problems.

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## IMPORTANCE OF OB

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1. **Achievement of organisational objectives:** It is correctly said that all the development in the organisation comes from human resource. So, better understanding of nature of human resource will help the managers to accomplish organisational goals and objectives.
2. **Development of the employees:** Well trained and motivated employees are the strength of the organisation. The study of OB helps the managers to know their employees well which in turn helps the managers to fill the gap between the employee’s objectives and organisational objectives.
3. **Efficient human resource management:** Better understanding differences of human nature will not only make the organisation grow and prosper but also helps in the development of the human resource of the organisation by making proper training plans and employee welfare programmes which in return will bring efficiency in the organisation.
4. **Improves organisational performance:** Appropriate and adaptable human resource enables the organisation to develop the organisation with superior speed. Trained, dedicated, motivated workforce brings competency and efficiency in the organisation.
5. **Strategic advantage:** Strategic advantages includes achieving low cost advantage, high quality, superior customer service, innovations, speed in production and delivering the services. The appropriate human minds thus contribute to innovation and other strategic advantages like superior customer services and with high speed.

Thus, appropriate human behaviour helps not only efficient human resource management but also envisages strategic management which ultimately leads to achieving higher level of organisational performance.

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## HISTORY OF ORGANISATIONAL BEHAVIOUR

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Below are the various stages in the evolution of Organisation Behaviour.

- ☛ **Before Industrial Revolution:** The history of OB itself will tell how the concept of OB has evolved over the period of time to the current stage. Many managers of big companies glean insights from Mahabharata, Iliad and other great works from the past, for e.g., TATAS, Godrej, Coco Cola, etc. Arthashastra states that there existed a sound base for systematic management of human resources as early as 4th century BC itself. In 1800 BC itself minimum wage rate and ‘incentive wage plan’, were included in Babylon Code of

Hammurabi.

- ☛ **Industrial Revolution:** In 19th century, the industrial revolution took place that resulted in the total transformation of the industrial environment. Industrial revolution was responsible for potential improvement. This eventually gave workers increased wages, shorter hours and more job satisfaction.  
J.N. Tata showed interest in employee welfare for his workers. In 1886, he instituted a pension fund and in 1895, began to pay accident compensation to the employees. Owen, Ure, Tata were the pioneers to sow the seeds of personnel management into practicality.
- ☛ **Scientific Management:** Scientific management brings Taylor to our memory. He is also known as the 'Father of Scientific Management'. Taylor's goal was technical efficiency but human resources were getting their share of importance. Taylor's ideas are practiced even today. Scientific management was criticised by employees and a new approach that treated workers as human beings was desired.
- ☛ **The Human Relations Movement:** Failure of Scientific Management gave birth to the human relations movement which is characterised by heavy emphasis on employee cooperation and morale. Employees were treated as human beings and not machines. Great depression, the labour movement and the famous Hawthorne Studies are the three contributing factors to the origin of HRM.
- ☛ **The Hawthorne Studies:** This study gave an academic status to the concept of Organisational Behaviour. The concept got its identity in many international and national institutes as a very important subject.
- ☛ **Organisational Behaviour:** The human relations movement started, continued, and flourished for a long time. But soon it faced a downfall and shallowness developed and the movement lost its flavour. The managers increasingly recognised the importance of the human resource to gain the organisational competency. This realisation came from the subject of organisational behaviour.

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## QUESTIONS FOR PRACTICE

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1. Define Organisational Behaviour. Explain its nature and characteristics.
2. State the Historic development of the concept of OB.
3. Discuss how OB is a multidisciplinary subject.
4. Bring out the various advantages of the Study of OB.
5. Explain the scope of the study of OB.
6. Describe the goals and objectives of OB.
7. Explain the different levels at which the study of OB is done.





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