

# MANAGEMENT BASICS

NAITIKA BAKSHI

# Management Basics

---



# Management Basics

---

Naitika Bakshi



Published by The InfoLibrary,  
4/21B, First Floor, E-Block,  
Model Town-II,  
New Delhi-110009, India

© 2022 The InfoLibrary

Management Basics  
Naitika Bakshi  
ISBN: 978-93-5496-892-1

This book contains information obtained from authentic and highly regarded sources. All chapters are published with permission under the Creative Commons Attribution Share Alike License or equivalent. A wide variety of references are listed. Permissions and sources are indicated; for detailed attributions, please refer to the permissions page. Reasonable efforts have been made to publish reliable data and information, but the authors, editors and publisher cannot assume any responsibility for the validity of all materials or the consequences of their use.

Trademark Notice: All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

The publisher's policy is to use permanent paper from mills that operate a sustainable forestry policy. Furthermore, the publisher ensures that the text paper and cover boards used have met acceptable environmental accreditation standards.

# Table of Contents

<b>Chapter 1</b>	Functions of Management	<b>1</b>
1.1	Concept of Management	<b>1</b>
1.2	The Process of Management	<b>13</b>
1.3	Levels and Types of Management	<b>22</b>
1.4	Evolution of Management Thought: Managerial Environment	<b>24</b>
1.5	The Process of Management	<b>29</b>
<b>Chapter 2</b>	Marketing Function of Management	<b>46</b>
2.1	Modern Concept of Marketing	<b>46</b>
2.2	The Functional Classification of Marketing	<b>48</b>
2.3	The Role of Distribution Channels in Marketing	<b>53</b>
<b>Chapter 3</b>	Financial Function & HRM Functions	<b>61</b>
3.1	Financial Functions	<b>61</b>
3.2	HRM Function of Management: Human Resource Management	<b>73</b>
3.3	Overview of Job Analysis	<b>81</b>
3.4	Manpower Planning	<b>91</b>





# Functions of Management

Concept of Management, Management as an Art or Science, The Process of Management, Managerial Skills, Good Managers are Born, not Made, Management is concerned with Ideas, Things and People, How a Manager Induces Workers to Put in Their Best, Levels and Types of Management, Evolution of Management Thought: Managerial Environment, The process of Management-Planning, Organizing, Directing, Staffing, Controlling.

---

## 1.1 Concept of Management

“Management is a process of obtaining things done through the efforts of other people so as to achieve the predetermined objectives of organization”.

In other words Management be defined as, “The process by which the execution of given purpose put into operation and supervise”.

### **Another statement:**

Management can be defined as, “A technique by which the purpose and objectives of particular human group are determined, defined, clarified and completed.

According to Harold Koontz, “Management is an art of getting things done through others and with formally organized groups. It is an art of creating an environment in which the people can perform and the individuals can cooperate towards attaining the group goals”.

Management is the process of designing and maintaining an environment in which the individuals working together in groups efficiently to accomplish selected aims.

### **Levels of Management:**

1. Top Management
2. Upper Middle management
3. Middle Management
4. Lower Management



## 5. Operating Force or Rank and file workmen

### 1. Top Management includes:

- a) Managing directors
- b) Board of directors
- c) General Manager
- d) Chief executives
- e) Share holders
- f) Owners.

### Functions:

- a) Expanding or contracting activities
- b) Setting the basic goals and objectives
- c) Monitoring the performance
- d) Establishing policies
- e) Shouldering the financial responsibilities
- f) Designing/Redesigning organization system, etc.

### 2. Upper Middle Management includes:

- a) Production executives
- b) Sales executives
- c) Accounts executives
- d) R & D executives
- e) Finance executives.

### Functions:

- a) Selection of staff for lower levels of management
- b) Establishment of organization

- c) Designing the operating policies and routines
- d) Installing different departments
- e) Assigning duties to their subordinates.

**3. Middle Management includes:**

- a) Branch Managers
- b) Superintendent, etc.

**Functions:**

- a) To understand the interlocking of department in major policies
- b) To cooperate to run organization smoothly
- c) To conduct training for employee development
- d) To build an efficient company's team spirit
- e) To achieve coordination between different parts of the organization.

**4. Lower Management includes:**

- a) Supervisors or charge-hands
- b) Foremen
- c) Inspectors
- d) Office Superintendent, etc.

**Functions:**

- a) Developing and improving the work method operations
- b) Direct supervision of workers and their work
- c) Imparting instruction to workers
- d) Inspection function
- e) To act as link between top management and operating force
- f) To give the finishing touch to the plans and policies of top management

g) To communicate the feelings of workers to the top management,

**5. Operating force includes:**

- a) Rank and file workman
- b) Workers
- c) Unskilled workers
- d) Skilled and Semi-skilled workers

**Functions:**

- a) To work independently or under the guidance of supervisor
- b) To do work on machines or manually, using tools etc

**Functions Of Management:**

There are five functions of management. They are:

1. Planning
2. Organizing
3. Staffing
4. Leading
5. Controlling

The function of manager provides an useful structure for organizing the management knowledge.

**(1) Planning**

It involves selecting the missions and objectives and the action to achieve them requires decision making and choosing future course of action from among alternatives.

There are five types of planning:

1. Missions and objectives
2. Strategies and polices
3. Procedures and rules
4. Programs

5. Budgets.

### (2) Organizing

It is the part of managing that involves establishing an internal structure of roles for people to fill in an organization. The purpose of an organization structure is to create an environment helpful for human performance.

### (3) Staffing

Staffing involves filling the positions in the organization. This is done by identifying the work-force requirement, recruiting, inventorying the people available, selecting, placing, appraising, promoting, planning the careers, compensating and training.

### (4) Leading

Leading is to influence the people so that they will contribute to the organizational and group goals.

All managers would agree that their most problems arises from the people, their desires and problems as well as their behavior as individuals and in groups, that the effective managers also need to be effective leaders.

It involves leadership styles, motivation, approaches and communications.

### (5) Controlling

Controlling is measuring and correcting the individuals and organizational performance. It involves measuring the performance against goals and plans, showing where the deviations from standards exist and helping to correct them.

The short controlling facilitates the accomplishment of plans. Control activity commonly relate to the measurement of achievement. Some means of controlling like the budget for expenses, inspection, record of labors-hours lost are generally familiar. Each shows whether plans are working out.



Function of management

### 1.1.1 Management as an Art or Science

#### **Scientific Management:**

F.W. Taylor and Henry Fayol are usually considered the founders of scientific management and administrative management, each give the idea for science and art of management.

#### **Features of Scientific Management:**

1. It had been closely related to the commercial revolution and also the rise of large-scale enterprise.
2. Classical organization and management theory relies on contributions from variety of sources. They're scientific management, administrative management theory, official model and micro-economics and public administration.
3. Management thought targeted on the job content division of labour, simplification, standardization, specialization and scientific approach towards the organization.

#### **Taylor's Scientific Management (USA 1856-1915):**

Frederick Winslow Taylor was well-known for scientific management approaches. He was the primary to acknowledge and emphasize the necessity for adopting a scientific approach to the task of managing an enterprise.

He tried to diagnose the causes of low potency in business and came to the conclusion that a lot of waste and unskillfulness is because of the shortage of order and system within the methods of management.

He found that the management was typically unaware of the quantity of work that would be done by a employee during a day as additionally the simplest method of doing the work.

As a result, it remained mostly at the mercy of the employees. Thus he advised that those liable for management ought to adopt a scientific approach in their work and make use of "scientific method" for achieving higher potency.

The scientific method consists of four essential steps as follows:

- (a) Observation
- (b) Measurement
- (c) Experimentation
- (d) Inference

He advocated an intensive designing of the work by the management and stressed the need of good below standing and co-operation between the management and thus the employees each for the enlargement of profits and the use of scientific investigation and knowledge in industrial work.

He summed up his approach in these words:

1. Science, not rule of thumb.
2. Harmony, not discord.
3. Co-operation, not individualism.
4. Maximum output, in place of restricted output.
5. The development of each man to his greatest efficiency and prosperity.

#### **Elements of Scientific Management:**

The techniques that Taylor considered its essential parts or features may be classified as below:

1. **Scientific Task and Rate-setting**
2. **Planning the Task**
3. **Vocational Selection and Training**
4. **Standardization**
5. **Specialization**
6. **Mental Revolution**

**1. Scientific Task and Rate-Setting (work study):** Work study is also defined because the systematic, objective and important examination of all the factors governing the operational efficiency of any specified activity so as to effect improvement.

#### **Work study includes:**

**(a) Methods Study:** The management should attempt to ensure that the plant is set out in the simplest manner and is supplied with the best tools and machinery. The possibilities of eliminating or combining certain operations is also studied.

**(b) Motion Study:** It's a study of the movement of an operator in acting an operation with the aim of eliminating useless motions.

**(c) Time Study:** The essential purpose of time study is to see the correct time for performing the operation. Such the time study may be conducted after the motion study.

Both time and motion study help in determining the simplest method of doing employment and the standard time allowed for it.

**(d) Fatigue Study:** If a regular task is about while not providing for measures to eliminate fatigue, might either be beyond the employees or the employees may over strain themselves to attain it.

It is thus necessary to manage the working hours and supply for rest pauses at scientifically determined intervals.

**(e) Rate-setting:** Taylor suggested the differential piece wage system, below that employees performing the standard task within prescribed time are paid a much higher rate per unit than inefficient employees who are not ready to come up to the standard set.

**2. Planning the Task:** Having set the task that an average worker should strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly in order that there is no bottle neck and the work goes on consistently.

**3. Selection and Training:** Scientific Management needs a radical change within the methods and procedures of choosing employees. It is thus necessary to entrust the task of selection to a central personnel section.

The procedure of choice will also need to be systematized. Proper attention has also to be devoted to the training of the employees in the correct methods of work.

**4. Standardization:** Standardization is also introduced in the following:

**(a) Tools and equipment:** Standardization is the method of transporting about uniformity. The management should select and store normal tools and implement the most effective .

**(b) Speed:** There is typically an optimum speed for each machine. If it is exceeded, it is probably to result in damage to machinery.

**(c) Conditions of work:** To achieve standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is extremely essential.

**(d) Materials:** The potency of a employee depends on the standard of materials and the method of handling materials.

**5. Specialization:** Scientific management won't be complete without the introduction of specialization. Below this plan the two functions of 'planning' and 'doing' are separated within the organization of the plant.

The functional foremen are experts who join their heads to offer thought to the planning of the performance of operations in the workshop.

Taylor advised eight functional foremen below his scheme of functional foremanship.

**(a) The Route Clerk:** To set down the sequence of operations and instruct the employees involved regarding it.

**(b) The Instruction Card Clerk:** To organize detailed instructions regarding completely different aspects of work.

**(c) The Time and Cost Clerk:** To send all information relating to their pay to the employees and to secure proper returns of work from them.

**(d) The Shop Disciplinarian:** To deal with the cases of breach of discipline and absenteeism.

**(e) The Gang Boss:** To assemble, set up tools and machines and to teach the employees to make all their personal motions in the fastest and the best way.

**(f) The Speed Boss:** To ensure that machines run at their best speed and proper tools are used by the employees.

**(g) The Repair Boss:** To ensure that each worker should keep his machine in good order and maintains cleanliness around him/her and their machines.

**(h) The Inspector:** To show the worker how to do the work.

**Mental Revolution:** At present, industry is divided into two groups as management and labour. The serious problem between these two groups is the division of excess.

The management wants the maximum possible share of the excess as profit, the employees want a large share in the form of wages. Taylor has in mind the enormous gain that get from higher productivity.

Such gains can be shared both by the management and employees in the form of increased profits and increased wages.

### **Benefits of Scientific Management:**

Taylor's ideas is brought research and recommendations into focus technological, human and organizational issues in industrial management.

The Taylor's scientific management included broad scope for specialization, accurate planning, timely delivery, standardized methods, better quality, lesser costs, minimum wastage of materials, time and energy and cordial relations between management and employees.

According to Gilbreths, the main benefits of the scientific management are "conservation and savings making an sufficient use of every one's energy of any type that is expended".

### **The benefits of scientific management are:**

1. Replace the traditional rule of thumb method by scientific techniques.



2. Proper selection and training of employees.
3. Incentive wages to the employees for higher production.
4. Elimination of wastes and rationalization of system of control.
5. Standardization of tools, equipment, materials and work methods.
6. Detailed instructions and constant guidance of the employees.

### **Management as a Science**

Science is a systematic body of knowledge which is relating to a specific field of study that contains general facts and explained phenomenon. It establishes the cause and effect relationship between two or more variables and underlines the principles governing their relationship. These principles are developed through scientific method of observation and verification through testing.

Science is characterized by following main features:

**1. Universally accepted principles:** Scientific principles represents basic truth about a particular field of enquiry. These principles may be applied in all situations, at all time & at all places. E.g: law of gravitation which can be applied in all countries irrespective of the time.

Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss. This principle is applicable to all type of organization – business or non business.

**2. Experimentation & Observation:** Scientific principles are derived through scientific investigation & researching i.e. they are based on logic.

E.g. the principle that earth goes round the sun has been scientifically proved. Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. They have been developed through experiments & practical experiences of large no. of managers.

E.g. it is observed that fair remuneration to personal helps in creating a satisfied work force.

**3. Cause & Effect Relationship:** Principles of science lay down cause and effect relationship between various variables.

E.g. when metals are heated, they are expanded. The cause is heating & result is expansion.

The same is true for management; therefore it also establishes cause and effect relationship.

E.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness. If you know the cause i.e. lack of balance, the effect can be ascertained easily i.e. ineffectiveness. Similarly

if workers are given bonuses, fair wages they will work hard but when not treated in fair and just manner, reduces productivity of organization.

**4. Test of Validity & Predictability:** Validity of scientific principles can be tested at any time or any number of times i.e. they stand the time of test. Each time these tests will give same result. Moreover future events can be predicted with reasonable accuracy by using scientific principles.

E.g.  $H_2$  &  $O_2$  will always give  $H_2O$ .

Principles of management can also be tested for validity.

E.g. principle of unity of command can be tested by comparing two persons – one having single boss and one having 2 bosses. The performance of 1st person will be better than 2nd.

It cannot be denied that management has a systematic body of knowledge but it is not as exact as that of other physical sciences like biology, physics, and chemistry etc. The main reason for the inexactness of science of management is that it deals with human beings and it is very difficult to predict their behaviour accurately. Since it is a social process, therefore it falls in the area of social sciences. It is a flexible science & that is why its theories and principles may produce different results at different times and therefore it is a behaviour science.

### **Management as an Art**

Art means application of knowledge & skill to get the desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters:

**Practical Knowledge:** Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles.

E.g. to become a good painter, the person not only should know about the different colour and brushes but different designs, dimensions, situations etc to use them appropriately. A manager can never be successful just by obtaining degree or diploma in management; he must have also known how to apply various principles in real situations, by functioning as a manager.

**Personal Skill:** Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another.

E.g. there are several qualified painters but M.F. Hussain is recognized for his style. Similarly management as an art is also personalized. Every manager has his own way of managing things based on his knowledge, experience and personality, that is why some managers are known as good managers (like Aditya Birla, Rahul Bajaj) whereas others as bad.

**Creativity:** Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination.

Management is also creative in nature like any other art. It combines human and non-human resources in an useful way so as to achieve desired results. It tries to produce sweet music by combining chords in an efficient manner.

**Perfection through practice:** Practice makes a man perfect. Every artist becomes more and more proficient through constant practice. Similarly managers learn through an art of trial and error initially but application of management principles over the years makes them perfect in the job of managing.

**Goal-Oriented:** Every art is result oriented as it seeks to achieve concrete results. In the same manner, management is also directed towards accomplishment of pre-determined goals. Managers use various resources like men, money, material, machinery & methods to help in the growth of an organization.

Thus, we can say that management is an art therefore it requires application of certain principles rather it is an art of highest order because it deals with shaping the attitude and behaviour of people at work towards the desired goals.

---

## 1.2 The Process of Management

### Planning

In this function it establishes the goals and objectives to pursue during a future period. The planning function spans all levels of management. Top managers are involved in the strategic planning that sets board, long-range goals for an organization.

### Organizing

In this function it typically follows the planning and reflects how the organization tries to accomplish its goals and objectives. In relation to the structure of a company, organizing involves the assignment of tasks, the grouping of tasks into departments and the allocation of resources to departments.

### Directing

In this function directing is also referred to as leading, it involves influencing division, departments and individual staff members to accomplish the organization's goals and objectives.

### Coordinating

In this function coordinating refers to management activities related to achieving an efficient use of resources to attain the organization's goals and objectives.

### Staffing

In this function staffing refers to the fundamental cycle of human resources activities, determining the human resource needs and recruiting, selecting, hiring, training and developing the staff members.

### Controlling

In this function manager performing the controlling management function translate the organizational goals and objectives into performance standards for divisions, department and individual position.

### 1.2.1 Managerial Skills

#### Managerial Skills:

Managers are expected to have the following set of skills.

#### 1. Technical skills

Technical skills that reflect both an understanding of and a proficiency in a specialized field. For example, a manager may have technical skills in accounting, engineering, finance, manufacturing or computer science.

## **2. Human Skills**

Human skills are the skills associated with managers ability to work well with others, both as a member of a group and as a leader who gets things done through other.

## **3. Concept Skills**

Conceptual skills relates to the ability to visualize the organization as a whole, discern the interrelationships among organizational parts and understand how the organization fits into the wider context of the industry, community and world.

Conceptual skills coupled with technical skills, human skills and knowledge base are important ingredients in organizational performance.

## **4. Design Skills**

Design Skills is the ability to solve the problems in different ways that will benefit the enterprise. Managers must be able to solve the problems.

### **1.2.2 Good Managers are Born not Made**

Current age organizations are driven by effective management style and managerial skilled possessed by the employees of the organization. Every organization has certain competitive advantage and the human resource has emerged as the main source of competitive advantage especially in service oriented organization. Hence the managers should have effective managerial skills in order to lead the organization and attain organizational goals within given resource constraints.

Managers in small and big organization should have some of the key skills which would help them in achieving their job responsibilities which are communication skills, decision making, team work and group handling, etc. These key qualities of managers cannot be compromised in dynamic corporate life due to the changing business environment which forces the managers to learn and implement best of the managerial techniques. Hence this would provide the argument in favour and against the statement “whether managers are born or made”.

Literature would be presented in order to build literature regarding the managers and their key skills. Further analysis would be done in order to a analyze requirement of knowledge and skill in managers. The role of a manager in any organization is to accomplish the desired goals and objectives set for the group by organization by utilizing available resources like human resource and financial resources with very high efficiency. A manager makes use of various management functions in order to manage the business organization such as the planning, organizing, directing, staffing and controlling for accomplishing the goals of an organization.

A good manager can be identified by the qualities exhibited by a person at workplace which can be referred as the charisma or traits of the manager. Charisma can be defined as the qualities exhibited by a person and distinguish a person from ordinary people and endowed him with supernatural or extraordinary qualities. Hence, the managerial qualities such as leadership generate through charisma and these qualities cannot be learned over the time. Efficient managerial skills can be assumed into a person instead of having these qualities as a part of personality or skill development into a person.

There are several essential qualities which must be possessed by a manager in order to deal with the uncertainties with high efficiencies which are flexibility, assertive, alertness, quick decision maker, communication skills, creative and organized. Though some of the skills which are important part of the managerial job role can be learnt through internal job environment and in class room training but an efficient manager is one who possesses these managerial qualities inherently.

Some of the recent research has contrasted the results given by the Craig through its research on the inherent qualities of the managers by quoting the capabilities which managers can gain through learning it on job and class room trainings. There are several other techniques which are employed in order to develop the good managers which range from college seminars, class room trainings in college and on job mentoring in order to develop the managerial qualities.

Another approach to the development of managerial qualities from chartered institute of management states that the concept of inborn managers has been outdated now and the present business domain and dynamic corporate culture have given rise to relative new concept of inhouse developed managers.

In another major research related to the discussion on development on managerial skills in the line managers confirms that present age management style is changing and it has been revealed through interviews of managers in big organization that the line managers are more focused on the on job managerial skills then the general managerial skills which are inherent.

Hence, the present age managers are required to possess the qualities which are highly related to their job which allow them to learn these qualities through on job training and class room training only instead of possessing these qualities in born. Development into management discipline has foster several new management technique which are a part of research through the academicians and managers across the world such as the project management, staffing, resource management, scheduling and budgeting etc.

### **Analysis and argument building**

Current age managers are also assumed to be as the good leaders as managers are supposed to contain the leadership skills in order to manage the organizational role. Concept of in born managers has become quiet old and at present the dynamic business situation requires the managers to possess extraordinary qualities skills and knowledge which can help them to tackle situation effectively and attain their business goals successfully.

At present, the managers need to be highly skilled with various managerial skills so that they can face difficult business situations and compete against the tough market situation in order to excel their organizations.

Initially, the management techniques were limited in nature and demand for basic skills and techniques from the managers in any organization. These skills and techniques include leadership qualities, negotiation skills, presentation skills and communication skills. Some of these skills can be learnt while the other can be a part of the inherent characteristic of a person which are inborn into a person and cannot be learnt through organizational environment or classroom training.

But these days, the management practice and style have become highly advanced and better management style and techniques have been developed in order to run the organization with higher efficiency. Some of the key managerial techniques and skills which are essential for present age managers include project management, resource management, operational management, effective staffing techniques, marketing tactics and financial tactics such as planning, budgeting and cost estimations. Hence these management techniques have been developed by the current age managers looking into the changing needs of the organization.

So a manager looking for effective management should have all these techniques into him for managing business organizations. These management concepts which have originated from research and development into management field are new concepts which did not exist earlier and hence these concepts require understanding from managers that can either be developed practically on job period or can also be developed through classroom training sessions. For this simple reason organization put more focus on the employee training and development programme so that they can have in-house management development programme which can groom their managers for better contribution for the organization success.

Hence, a relative new research and development into management field have insisted the organization to carry out effective management development programs for their employees. Focus of an organization have shifted from the inborn talent to people who are having better adaptability to learn and change so that the managers can be exposed to better managerial skills and knowledge which can be imparted to them through in-house training and other management learning programme.

### **1.2.3 Management is concerned with Ideas, Things and People**

Management involves judicious deployment of resources for the achievement of certain goals. It is concerned with the things, ideas and people in the following ways:

**Management of ideas:** Management of ideas is very crucial for an economic and social development. It is the job of management to generate, organize and to articulate creative ideas and transform them into operating results. These ideas relate to new markets, new products and improvements in existing products and markets.

Management of ideas is very relevant in the context of rapidly changing technologies, product market configurations, consumer preferences, social values and government involvement in business. Management of ideas involves creative, intellectual and innovative processes.

Ideas provide the basic inputs and inspiration in the management process. Decision making process involves the conversion of ideas and information into action. Ideas help management in ensuring the survival and growth of an organization. Management theory is the major source of ideas for management practice.

Thus, management of ideas has three main implications:

- (a) It requires a practical philosophy of management to regard management as a distinct and scientific approach.
- (b) It involves the planning phase of management.
- (c) It requires innovation and creativity. Implies generating of new ideas and innovation means transforming ideas into viable realities and utilities.

#### **Management of things:**

Management of things refers to mobilization, allocation and deployment of materials, machinery, technology and other facilities to convert the ideas into results and performance.

It is the conversion of resources into outputs efficiently and effectively that determines the success of management. Ideas will remain as ideas unless they are converted into results through the conversion process.

#### **Management of people:**

Management of people refers to the procurement, development, maintenance and integration of human beings working in an organization. It is the most important task of a manager because without people no manager can manage the ideas and things.

In the early stages of evolution, the management of people were treated as part of things. But after the House Thorne Experiments it has been realized that people are the most critical factor in management. After that there has been growing concern for people inside the organization as employees and outside the organization as customers, suppliers, investors and the general public.

Management must understand and fulfill the needs, aspirations and values of the people. Management is the direction of men, not of things. Thus, management may be defined as the process of converting the ideas into results by getting things done through people in an organized setting.

### **1.2.4 How a Manager Induces Workers to Put in Their Best**



Hiring a new member to a team can be time-consuming and costly – so we want them to settle in and start working productively as soon as possible. After all, if we had spent time sourcing and choosing an expensive new piece of machinery, we wouldn't just leave it in its box when it was delivered, and hope it would just start being productive. The solution is a well-thought out induction process that helps us to ensure that new hires feel comfortable in their new job and start working effectively as soon as possible.

Traditionally, the employee induction was looked as the time needed to fill out the personnel records, show new employees the washrooms, introduce them to a few coworkers and wish them well. If they met with anyone other than an HR representative, they were doing well. That doesn't work anymore. New team members expect and deserve more common Complaints.

The most frequent complaints the new people have about their induction experiences are that they are overwhelmed and bored, or left to sink or swim on their own. The result is often a confused new employee who takes a long time to become productive or that employee becomes frustrated and quickly leaves the organization.

An effective, carefully-planned orientation or on-boarding program will not only teach technical skills, but also it will educate the new team members about the company's history, corporate values and provide valuable information about "who is who" in the organization. Organizations that have good induction programs get new people up to speed faster, have better alignment between what new people do and what the organization needs them to do, have happier employees and have lower staff turnover rates.

When we know the "why" of employee induction, it is much easier to design an effective program that will welcome new employees with sincerity. When we take the time and make the effort to deliver an effective induction we also convey the message that we are committed to employee development and to provide the training and resources needed to do a great job from the Day 1. Here are some "hows" for doing just that.

## **Tips for New Employee Induction**

### **Planning**

Consider key orientation planning questions before implementing or revamping a current program. Important questions to ask are:

- What does the new employee need to know about this work environment to feel comfortable and confident?
- What impression do we need the new employees to have on their first day?
- What policies and procedures should new employees learn about on the first day or the first month? This vital information must be included in the orientation process.

- How can new employees be introduced to their coworkers without feeling overwhelmed and intimidated?
- What special things (desk, work area, equipment, special instructions) can we provide to make new employees feel comfortable, welcome and secure?
- How can we ensure that the new employee's supervisor is available to assist him or her on the first day; and provides enough time and attention to let him or her know that he or she is valued an important addition to the work team?

Ask for feedback from recent hires. Find out how they perceived the orientation process and make changes based on those recommendations.

**Tip:**

Once we have a list of areas to cover, divide them up according to when they should be covered in the induction process: before the new hire starts, on Day 1, in Week 1 or in the first month.

One of the most important things that we may need to do before Day 1 is to get the new hire to complete a Training Needs Analysis document. This allows us to arrange training in advance and book it into the new person's schedule when they start. Doing this will reduce their anxiety about unfamiliar systems. And by being able to schedule training earlier, we'll have them up to the speed and productive sooner.

One of the main points of an effective induction program is to give the new member of a team a great first impression of the company. This begins as soon as the offer letter of employment is sent. Make sure the letter sets out the expectations of the job and provides an open avenue of communication before the employee's first day.

**Execution**

Once we got a good idea of the purpose of our program and what we want to cover, then we begin the design process. Here are some ideas for orientation:

**Before they start**

- Make sure the new employee's work area is ready and comfortable.
- Make sure key co-workers know the employee is starting and encourage them to come to say "hello" before orientation begins.
- Name cards on top of the computer monitors can help new people learn names in their own time. They are particularly useful if we all sit in an open plan office. Make one for the new starter too.
- Assign a mentor or partner to show the new person around and make introductions. A mentor need not deliver all – or even any – of the training, but will be there to guide the new starter to training sessions.

## On Day 1

- Cover off all the essentials: forms, ID cards, computer access, office supplies, parking, etc. Don't do this all at once, though. Intersperse these housekeeping activities with other parts of the induction process that require a greater levels of concentration.
- Start with the basics. Do not overwhelm the employee and do not cram everything they need to know into a one-hour session. People will become productive sooner if they are firmly grounded in the basic knowledge they need to understand their job. Focus on the why, when, where and how of the position before handing them any assignments or project.
- Provide an orientation packet that includes samples of forms as well as the job description.
- Give the new starter a checklist of what they should have been told or shown by the end of Day 1, the end of Week 1 and by the end of their first month, and who is responsible for covering this with them (i.e. Whether HR, supervisor or mentor). This will help to reduce their anxiety about "unknown unknowns".
- If we have a digital camera available, take photos of each team member and other people too, and make up a sheet matching names to photos to give to new starters on their first day. Take a photo of the new starter on their first day, so we can update the sheet for the next person.
- Provide a list of FAQs with a contact person/department and phone number or extension. This should always include the number of the IT helpdesk.
- Plan to take the new employee to lunch (or join him or her for lunch), and ask the supervisor and available coworkers to join. There is nothing more uncomfortable than facing a lunchroom of strangers or slinking out for a solitary lunch on their first day.

## End of Month 1

- Keep it fun: Consider incorporating some ice breaker exercises at the start of the first group meeting after the new hire starts.
- Give the new person some responsibility for his or her own orientation. Offer opportunities for self-directed learning under appropriate supervision.
- Ensure that the mentor has scheduled ongoing meetings with the new starter up until the end of their first month to answer questions which they might prefer not to ask their line manager.

An effective induction program – or the lack of one – will make a significant difference in how quickly a new employee becomes productive and feels part of the team. Good orientation takes time, energy and commitment; however it usually pays off for the individual employee, the department and the organization. Make sure the new employees feel that they are valued and that we want them to come back the next day, and the day after that, and the day after that.

**Tip:**

The quality of the induction process significantly affects the rate at which the company can grow. If we can quickly train people and keep hold of them once they're on board, we can grow the company quickly. If it takes a long time for people to become productive and we're continually losing key members of a team, we may find the business shrinking instead of growing.

## 1.3 Levels and Types of Management

### Levels of Management

**Producing accurate financial reports to specific deadlines:** Managers can be classified by their level in the organization, particularly in the traditionally structured organizations and those shaped like a pyramid.

The term “Levels of Management’ refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority and status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

- Top level / Administrative level
- Middle level / Executory
- Low level / Supervisory / Operative / First-line managers.

Managers at all these levels perform different functions. The role of managers at all the three levels are as follows:



Levels of management

### Top Level of Management

It consists of chief executive, board of directors or managing director. The top management is the ultimate source of authority and it manages the goals and policies for an enterprise. It devotes more time on planning and coordinating the functions.

The role of the top management can be summarized as follows:

- Top management lays down the objectives and broad policies of the enterprise.

- It issues necessary instructions for preparation of department procedures, budgets, schedules, etc.
- It prepares the strategic plans and policies for the enterprise.
- It appoints the executive for middle level i.e. departmental managers.
- It controls and coordinates the activities of all the departments.
- It is also responsible for maintaining a contact with the outside world.
- It provides guidance and direction.

The top management is also responsible towards the shareholders for the performance of the enterprise.

### **Middle Level of Management**

The branch managers and departmental managers constitute to the middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In a small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as:

- They execute the plans of the organization in accordance with the policies and directives of the top management.
- They make plans for the sub-units of the organization.
- They participate in employment and training of lower level management.
- They are responsible for coordinating the activities within the division or department.
- They interpret and explain the policies from top level management to lower level management.
- It also sends important reports and other important data to the top level management.
- They evaluate the performance of junior managers.
- They are also responsible for inspiring lower level managers towards better performance.

### **Lower Level of Management**

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent, etc. According to R.C. Davis, "Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of

operative employees". In other words, they are concerned with direction and controlling function of management. Their activities include:

- Assigning of jobs and tasks to various workers.
- They guide and instruct workers for day to day activities.
- They are responsible for the quality as well as quantity of production.
- They are also entrusted with the responsibility of maintaining good relation in the organization.
- They communicate with the workers problems, suggestions and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- They supervise and guide the sub-ordinates.
- They help to solve the grievances of the workers.
- They are responsible for providing training to the workers.
- They arrange the necessary machines, materials, tools etc for getting the things done.
- They prepare periodical reports about the performance of the workers.
- They ensure discipline in the enterprise.
- They motivate workers.
- They are the image builders of the enterprise because they are in direct contact with the workers.

---

## 1.4 Evolution of Management Thought: Managerial Environment

### Evolution of Management

Evolution of management thought is divided into the following four stages:

1. Pre scientific or Pre classical management period
  2. Classical Management Theory
  3. Neo classical Theory or Behavioural Theory
  4. Modern Theory
- A. Systems approach

## **B. Contingency approach**

### **1. Pre-Scientific or Pre-Classical Management Period:**

The advent of the industrial revolution in the middle of the 18<sup>th</sup> century had its impact on management. During the period, certain pioneers tried to challenge the traditional character of management by introducing new ideas and approaches. The notable contributors of this period are:

#### **A. Robert Owen (1771 -1858):**

He emphasized the recognition of the human element in industry. He firmly believed that the workers performance in industry was influenced by the working conditions and treatment of workers. He introduced the new ideas of human relations such as shorter working hours, housing facilities, training of workers in hygiene, education of their children, provision of canteen, etc. Though his approach was very strict, he came to be regarded as the father of the personnel management.

#### **B. Charles Babbage (1792 -1871):**

He advocated the use of accurate observations, measurement and precise knowledge for taking the business decisions. His management ideas also anticipated the concept of profit sharing to improve the productivity.

#### **C. Henry Robinson Towne (1844 -1924):**

He was the president of the famous lock manufacturing company “Yale and Town”. He advised the combination of engineers and the economists as the industrial managers. This combination of qualities together with at least some skill as an accountant is essential to the successful management of industrial workers.

### **2. Classical Management Theory**

The classical management theory developed during the industrial revolution when new problems related to the factory system started to appear. Managers were unsure of how to train the employees or deal with increased labour dissatisfaction, so they began to test solutions.

As a result, the classical management theory is developed from efforts to find the “one best way” to perform and to manage the tasks. A classical management theory is made up of three parts:

(i) **Scientific management theory**

(ii) **Administrative management theory**

(iii) **Bureaucratic management theory**

(i) **Scientific Management Theory**



Scientific management is defined as the use of the scientific method to define the “one best way” for a job to be done.

The scientific management theory was developed due to the need to increase the productivity and efficiency. The emphasis was trying to find the best way to get the most work done by using any of the methods mentioned below.

- By examining how the work process was actually accomplished.
- By scrutinizing the skills of the workforce.

The major contributors of this scientific management theory are:

### **F.W.Taylor’s Scientific Management**

Taylor attempted a more scientific approach to management as well as the problems and the approach was based upon four basic principles:

1. Study each part of the task scientifically and develop the best method to perform it.
2. Carefully select workers and train them to perform a task using the scientifically developed method.
3. Cooperate fully with the workers to ensure they use the proper method.
4. Divide the work and responsibility. So, the management is responsible for planning work methods using scientific principles and workers are responsible for executing the work accordingly.

A mental revolution in the form of constant cooperation between the employer and employees should be given the benefits of scientific management.

### **(ii) Fayol’s Administrative Management Theory**

Scientific management focused on the productivity of individuals, whereas the administrative management theory concentrates on developing the organizational structure that leads to high efficiency and effectiveness.

Organizational structure is the system of task and authority relationships that control how employees use resources to achieve the organization’s goals. The emphasis is on the development of managerial principles rather than work methods. Henry Fayol was the most important exponent of this theory.

### **(iii) Bureaucratic Management Theory**

**Max Weber (1864 1920):**

A well known German sociologist, coined the term “bureaucracy” to apply to the large organizations operating on the rational basis. Many European organizations were managed on a “personal” family such as basis and the employees were loyal to the individual supervisors rather than the organization.

He also believed that organizations should be managed impersonally and a formal organizational structure where specific rules were followed.

In other words, he did not think that authority should be based on person’s personality. He thought that the authority should be something that was part of a person's job and passed from the individual to individual as one person left and another took over. This non personal objective form of organization is referred as bureaucracy.

### **BEHAVIOURAL MANAGEMENT THEORY**

Management principles developed during the classical period were simply not useful in dealing with many management situations and could not explain the behavior of individual employees.

In short a classical theory ignored employee motivation and behavior. As a result, the behavioural theory was a natural outcome of this revolutionary management experiment. It modified, improved and extended the classical theory.

The behavioral theory pointed out the role of psychology and sociology in understanding of individual and group behaviour in an organization. Several individuals and experiments contributed to this theory.

### **Systems Approach to Management**

System is a set of interrelated and interdependent parts arranged in a manner that produces the unified whole.

While an organization as a whole system, the various components or parts within it are referred as the subsystem. Thus a department is a subsystem of the organization.

The systems approach to management is based on the belief that organizations can be visualized as systems of interrelated parts or subsystems that operate as a whole in pursuit of common goals. An organization as a system is composed of five elements, such as:

1. Input
2. Transformation processes
3. Output
4. Feedback
5. Environment.

## **Contingency Approach to Management**

The contingency approach is also referred as situational approach. It was developed by consultants, managers and researchers who tried to apply for real life situations. In the 1960s Contingency theory was developed by Tom Burns and G.M. Stalker in the United Kingdom and Paul Lawrence and Jay Lorsch in the United States.

The crucial message of contingency theory is that there is no best way to organize. According to contingency theory, the characteristics of environment affect an organization's ability to obtain the resources.

For example, some of the management concepts are more effective in one situation. The same management concept may fail in another situation. Results and solutions differ because situations differ.

The contingency approach theory is favorable to the modern management theory. Modern management theory suggests the psychological approach to the employees. The contingency approach is highly dependent on the experience and judgment of the manager in the given organizational environment.

---

## 1.5 The process of Management

Around 1910, H.Fayol, a French engineer, initiated the administrative theory of management in Europe. Sheldon, Mooney and Railey, L.F .Urwick and L.Gulick also contributed a lot to the administrative theory of management. This theory is referred as process management and advocates of this theory belong to the process school of management.

In 1916, Fayol published his book “General and Industrial management” in French. Fayol identified management as a separate set of skills or functions performed by a supervisor in an organization. He clearly distinguished the difference between the technical and managerial skills an emphasized that supervisor should be efficient in both. He stated that technical ability is more dominant at the lower level of management, whereas the managerial ability is more important at the higher level of management.

Fayol, in his famous book, stated the fourteen management principles that can capture the entire flavor of the process management theory. The fourteen principles of management are: Subordination of individual interests to material interests, authority and responsibility, remuneration of personnel, discipline, division of work, centralization, scalar chain, initiative, equity, stability of tenure of personnel, unity of command and unity of direction. Fayol also stated that all the operations in business organizations can be classified under six heads, such as,

- (a) Technical production and manufacturing
- (b) Commercial (purchases and sales)
- (c) Financial (financing and controlling of capital for its optimum use)
- (d) Security (protection of property and persons)
- (e) Accounting (stock-taking, balance sheet, costing and statistics)
- (f) Managerial (planning, organizing, communicating, co-coordinating and controlling).

### **BEHAVIORAL SCIENCE MOVEMENT:**

The behavioral science approach through its research studies of individual behavior and the motivation indicated that the relation between morale and productivity was oversimplified and there was no direct or deep connection between the morale and productivity. Behavioral science experts made a further refinement of human relations movement and also covered a much wider scope in interpersonal roles and relationships. The behavioral science movement which started after 1940 emphasized the importance of the individuals and their interpersonal relationship, psychology of the individuals as related to personal

needs and motivation and motivational potential in people. The important contributors to the behavioral science movement are A. Maslow, F.Hertzberg, V.Vroom and D.McGregor.

While Maslow developed a need hierarchy to explain the human behavior within an organization, Hertzberg and Vroom developed the motivational models, which explained the causes of human behavior and motivation in business. Behavioral science movement has drawn heavily on the work of Maslow to explain about the human behavior and the dynamics of motivation process.

McGregor developed his two theories, viz., Theory X and Y and also explained certain basic assumptions about the human element. The classical theory reflected almost all the aspects of Theory X while the behavioral approach theory of management reflected almost all the aspects of Theory Y.

**ELEMENTS OF NEO-CLASSICAL THEORIES** : This theory may be stated as follows: It may be noted that the theories started by the Taylor and Fayol are called by some writers as Classical theories while the theories stated by the human relations movement and the behavioral science movement are referred as neo- Classical theories.

### 1.5.1 Planning

Planning means deciding in advance what is to be done. It involves the selection of objectives, policies and programmes from among alternatives.

#### What should a plan be?

A plan should be a realistic view of the expectations. Depending upon the activities, a plan can be long range, intermediate range or short range. It is the framework within which it must operate. For a management seeking external support, the plan is the most important document and key to growth. Preparation of a comprehensive plan will not guarantee success, but lack of a sound plan will almost certainly ensure in failure.

#### Purpose of Plan

Just as no two organizations are alike, so also their plans. It is therefore important to prepare a plan keeping in view the necessities of the enterprise. A plan is an important aspect of the business. It serves the following three critical functions: Helps the management to clarify, focus, and research their businesses or project's development and prospects. Provides a considered and logical framework within which the business can develop and pursue the business strategies over the next three to five years. Offers a benchmark against which the actual performance can be measured and reviewed.

#### Importance of the Planning Process

A plain can play a vital role in helping to avoid the mistakes or recognize hidden opportunities. Preparing a satisfactory plan of the organization is essential. The planning process enables the management to understand more clearly what they want to achieve and how and when they can do it.

A well-prepared business plan demonstrates that the managers know the business and that they have thought its development in terms of products, finances, management and most importantly, markets and competition. Planning helps in forecasting the future, makes the future visible to some extent. It bridges between where we are and where we want to go. Planning is looking ahead.

### Planning basics

Essentials of planning is not done off hand. It is prepared carefully and at extensive research. For a comprehensive business plan, management has to:

1. Clearly define the target or goal in writing.
  - i. It should be set by a person having authority.
  - ii. It should be specific.
  - iii. The goal should be realistic.
  - iv. Acceptable
  - v. Easily measurable.
2. Identify all the main issues which need to be addressed.
3. Review the past performance.
4. Decide the budgetary requirement.
5. Focus on the matters of strategic importance.
6. What are requirements and how will they be met?
7. What will be the likely length of the plan and its structure?
8. Identify the shortcomings in the concept and gaps.
9. Strategies for implementation.
10. Review periodically.

### Limitations of Planning

Planning is not a substitute for executive judgement but merely an aid to it. It suffers from the following limitations:

- 1. Inaccuracy:** Planning is based on forecasts which are never cent per cent accurate. The accuracy and reliability of forecasting diminishes as the forecasting period increases. If the reliable forecast and data are not available, planning becomes unrealistic.
- 2. Time - consuming:** Planning is a time-consuming and expensive process. Time, effort and money are required in the collection and analysis of data and in the formulation and revision of the plants. Planning is useful only when the expected gains from it exceeds the costs. By the time the plans are prepared, conditions might change rendering the entire efforts irrelevant.
- 3. Rigidity:** Planning may result in the internal inflexibilities and procedural rigidities which curbs the initiative and individual freedom. Sometimes, planning may cause delay in decision-making. A manager may be bogged down by rules and procedures when there is a need for quick decision.
- 4. Resistance:** Planning often requires some change in the existing set-up. Unless the required change is forthcoming, planning is ineffective. Resistance to change is an important obstacle in the planning. Planning also requires a forward - looking attitude. But very often, people have a greater regard for the present as the future is uncertain.
- 5. False Security:** Planning may create a false sense of security in an organization. A manager may feel that all problems will be solved once the plans are put into operation. In reality, the management has to continuously revise the plans and regularly check on their execution.
- 6. Pressure-tactics:** Powerful people and other vested interests may exert pressure to ensure that the plans serve their own interests. Moreover, the planners may be unduly

influenced by the 'pet projects' of the 'big boss' and may not make an objective analysis of the available alternatives. It is very difficult to measure accurately the effectiveness of planning.

**External Constraints:** The effectiveness of planning may be affected by external forces which are beyond the control of those responsible for preparing plans. Government control, natural calamities and other unseen events may create hurdles in the implementation of plans. It is very difficult to predict and provide for such external constraints.

### Principles of Planning

Over the years, a number of fundamental principles have been developed to guide the efforts of managers in preparing an effective plan. These principles relate to the nature, purpose, process and structure of planning. The planning principles are as follows:

- 1. Principle of contribution to objectives** - Every major and derivative plan should contribute positively towards the accomplishment of enterprise objectives. This principle is derived from the *raison d'être* of the enterprise.
- 2. Principle of efficiency of plans** - The efficiency of the plan is measured by the amount it contributes to the objectives minus the costs and other undesirable consequences involved in the formulation and operation of the plans. This principle stresses upon economical use of individual efforts to achieve the group goals.
- 3. Principle of primacy of planning** - This principle emphasizes that a manager can hardly perform other managerial functions without the road map to guide him. Planning is the primary requisite of other management functions because these functions are designed to support the accomplishment of enterprise objectives.
- 4. Principle of planning premises** - Perhaps, the main deficiency of planning arises from poorly structured plans. A coordinated structure of a plan can be developed only when managers thought out the organization understand and agree to utilize the consistent planning premises.
- 5. Principle of policy framework** - A consistent and effective framework of enterprise plans can be developed if the basic policies that guide thinking in decisions are expressed clearly and are understood by the managers who prepare the plans. The decision which leads to plans can not be accurately focused on the enterprise objectives without a framework of policies.
- 6. Principle of timing** - When the plan are structured to provide an appropriately timed, intermeshed network of derivative and supporting programmes, the plan can contribute effectively and efficiently towards the attainment of enterprise objectives. Both the premises and policies are useless without proper timing.
- 7. Principle of alternative** - In choosing from among alternatives, the best alternative will be that which contributes most efficiently and effectively to the accomplishment of a desired goal.
- 8. Principle of limiting factors** - While choosing from among alternatives, the planner should focus on those factors which are critical to the attainment of the desired goal. This will help in selecting the most favorable alternatives.
- 9. Principle of commitment** - Logical planning should cover the time necessary for to forecast the fulfillment of commitment involve in a decision. This is necessary to make reasonably sure of meeting commitments.
- 10. Principle of flexibility** - This principle deals with the ability to change which is built into plans. The risk of loss due to unexpected events can be reduced by building the flexibility into the plans. However, the cost of flexibility should be weighed against the dangers of future commitments made.
- 11. Principle of competitive strategies** - While formulating the plans, a manager should take into account the plans of rivals of competitors. The plans should be chosen in the light of what a competitor will do in the same situation.

**12. Principle of navigational change** - The manager should periodically check on the events and expectations and redraw the plans to maintain a course toward the desired goal. Unless the plans have in-built flexibility, navigational change is difficult or costly. But the built-in flexibility should not be an excuse for periodic revision of plans, if circumstances so warrant.

### Steps in the process of Planning

There is no standard planning process. Each enterprise has to develop its own modus operandi for planning depending on its nature, size and environment. However, the main steps in planning process are as follows:

**1. Analyzing the environment** - The first step in planning is a thorough analysis of the external and internal environment of the enterprise. Analysis of external environment will help to identify the opportunities and constraints for the enterprise. To be effective, the planning must enable the organization to adopt itself to the environmental changes, managers must carefully analyze the relevant information as the quality of information determines the quality of planning. Analysis of the internal environment will help to identify the strengths and weaknesses of the enterprise.

**2. Establishing objectives** - Plans are formulated to achieve certain objectives. Therefore establishment of the organizational objective is an important step in planning. The organizational objectives should be established in the light of perceived opportunities and resources of the organization. They should be clearly specified and measurable as far as possible. They should be spelled in key areas of operations and for different division and department.

**3. Determining planning premises** - Planning is done for future which is uncertain therefore, certain assumptions are made in preparing the plans. These assumptions or conditions underlying the planning should be clearly defined through scientific forecasting of future events. Planning premises are the limitations that lay down the boundary for planning.

Planning premises can be of several types. Controllable or internal premises which are under the control of management, e.g. resources, techniques and policies of the enterprises. On the other hand, the uncontrollable or external premises are beyond the control of the enterprises. These relate to rate of population growth, government policies, general economic conditions, political situation, etc.

**4. Developing alternative courses of action** - These can be several ways of achieving the same objectives. The various available alternatives should be identified. For example, in order to increase the sale, an enterprise may intensify the sales efforts, explore new markets or develop new products, in order to develop all the possible alternatives, a manager must have imagination, skills and experience.

**5. Evaluating alternatives** - The various alternatives are compared and weighted in the light of objectives and premises. Each alternative has its merits and demerits but all the alternatives can not be equally appropriate or practicable. Each alternative should be closely examined to determine its suitability. Several statistical and mathematical techniques are used to evaluate an alternative course of action.

**6. Selecting the best course** - After evaluating the various alternatives, the most appropriate alternative is selected. This is the point at which the plan is adopted. Sometimes, evaluation may suggest that more than one alternative is good. In such case, a manager may choose several alternatives and combine them in action.

**7. Formulating derivative**



**plans** - Once the basic plan is decided. Various supporting or subsidiary plans are formulated. These include programmers, procedures, budgets, schedules, etc. such plans are required to implement the basic plan. The sequence of various activities is determined to ensure the continuity in operations. Different plans are properly integrated so that they support each other.

## **Types of Plans**

### **1. Objectives**

The first step in planning is setting objectives it is said to be the desired future position that the management would like to reach. These are basic to the organization and they are defined as ends which the management seeks to achieve by its operations. They define the future states of affairs which the organization strives to realize. They serve as a guide for overall business planning objectives need to be expressive in specific terms. They are the end points of planning.

### **2. Policy**

A policy is a general guide for thinking and action rather than a specific course of action. It defines the area or limits within the decisions that can be made to achieve organizational objectives which can be attained. A policy is a continuing decision as it provides answers to problems of recurring nature.

### **3. Procedure**

These are routine steps to carry out activities. This gives the exact manner in which any work is to be performed. These are specified in a chronological order. It lays down the specific manner in which the particular activity is to be performed. It is a planned sequence of operations for performing the repetitive activities uniformly and consistently. They play an important role in the daily operations of an organization.

### **4. Rules**

These are rigid and definite plans that specify what is to be done or not to be done in given situations. A rule provides no scope for discretion and judgment. It is a prescribed guide to conduct or action. These are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken. They help to regulate behavior and to facilitate communication.

### **5. Budget**

It is a statement of expected results expressed in numerical terms. It is plan which quantifies the future, facts and figures. They serve as the means for co-ordination and control. They provide clarity, direction and purpose in the activities of an organization by laying down verifiable and measurable goals for a specified period of time. It is expressed in terms of money or physical units. It is the blue print of future course of action and activities. It is prepared in advance and are related to future period.

## 6. Project

A project is a distinct cluster of functions and facilities for a defined purpose and definite time period. It is designed and executed as a distinct plan. It is integrated into a unit and is designed to achieve the stated objectives. It is defined in term of the specific objective, interdependence of tasks, etc. they help to facilitate the co-ordination and control by identifying an integrated work package within a heterogeneous mass of activities and resources.

## 7. Strategy

The concept of strategy in business has been borrowed from the military science and sports where it implies outmaneuvering the opponent. The term strategy began to be used in business with increase in competition and complexity of operations. It may be defined as gamesmanship or as administrative course of action designed to achieve success in the face of difficulties. It is an overall plan prepared for meeting the challenge posed by the activities of competitors and other environment forces.

The term strategy should be differentiated from tactics. It is the basic plan chosen to achieve the objectives while are the means of implementing the plan. For example, if the management anticipates price- cut by competitors, it may decide upon a strategy of launching as advertising campaign to educate the customers and to convince them superiority of its product.

### 1.5.2 Organizing

Organizing is the function of management that involves developing an organizational structure and allocating the human resources to ensure the accomplishment of objectives. The structure of the organization is the framework within which the effort is coordinated. The structure is usually represented by an organization chart, which provides a graphic representation of the chain of command within an organization. Decisions made about the structure of an organization are generally referred to as the organizational design decisions.

Organizing also involves the design of individual jobs within the organization. Decisions must be made about the duties and responsibilities of individual jobs, as well as the manner in which the duties should be carried out. Decisions made about the nature of jobs within the organization are generally referred to as “job design” decisions.

Organizing at the level of the organization involves deciding how best to departmentalize the jobs into departments to coordinate the effort effectively. There are many different ways to departmentalize, including the product, geography, organizing by function or customer. Many larger organizations use multiple methods of departmentalization.

Organizing at the level of a particular job involves how best to design the individual jobs to most effectively use human resources. Traditionally, job design was based on the principles of division of labor and specialization, which assumed that more narrow the job content, the more proficient the individual performing the job could become. However, experience has shown that it is possible for jobs to become too narrow and specialized.

For example, how would we like to screw lids on jars one day after another, as we might have done many decades ago if we have worked in company that made and sold jellies and jams? When this happens, negative outcomes result, including decreased job satisfaction and organizational commitment, increased absenteeism and turnover.

Recently, many organizations have attempted to strike a balance between the need for worker specialization and the need for workers to have jobs that entail variety and autonomy. Many jobs are now designed based on such principles as job enrichment, empowerment and teamwork. For example, HUI Manufacturing, a custom sheet metal fabricator, has done away with traditional “departments” to focus on listening and responding to customer needs. From company-wide meetings to team huddles, HUI employees know and understand their customers and how HUI might service them best.

### 1.5.3 Directing

Directing is said to be a process in which the managers guide, instruct and oversee the performance of the workers to achieve the predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing have got no importance if the direction function does not

take place. Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors.

In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, "Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned" Therefore, Directing is a function of inspiring, guiding, overseeing and instructing the people towards accomplishment of organizational goals. Directing means giving instructions, counseling, guiding, motivating and leading the staff in an organization in doing work to achieve the Organizational goals. Directing is a key managerial function to be performed by the manager along with planning, staffing, organizing and controlling. From top executive to supervisor performs the function of directing and it takes place accordingly wherever superior – subordinate relations exist. Directing is a continuous process initiated at the top level and flows to the bottom through organizational hierarchy. It is the part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, supervising, guiding, motivating sub-ordinate for the achievement of organizational goals.

**Direction has following elements:**

**(i) Supervision**

**(ii) Motivation**

**(iii) Leadership**

**(iv) Communication**

**(i) Supervision:** Implies overseeing the work of subordinates by their superiors. It is the act of watching and directing the work and workers.**(ii) Motivation:** Means stimulating, inspiring or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.**(iii) Leadership:** May be defined as a process by which manager guides and influences the work of subordinates in desired direction.**(iv) Communications:** Is the process of passing information, experience, opinion, etc from one person to another. It is a bridge of understanding.**Direction has got following characteristics:****1. Pervasive Function** - Directing is required at all the levels of organization. Every manager provides guidance and inspiration to his subordinates.

**2. Continuous Activity** - Direction is a continuous activity as it continuous throughout the life of an organization.

**3. Human Factor** - Directing function is related to subordinates and therefore it is related to human factor. Since the human factor is complex and behaviour is unpredictable, direction function becomes important.**4. Creative Activity** - Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.**5. Executive Function** - Direction function is carried out by all the managers and executives at all levels throughout the working of an enterprise, a subordinate receives instructions from his superior only.**6. Delegate Function** - Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people's behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle the human behaviour.

### Nature and Characteristics of Directing

Directing is characterized by the following distinguishing features:**1. Element of management:** Directing is one of the important functions of management. It is through direction that management initiates action in the organization.**2. Continuing function:** Direction is a continuous process and it continues throughout the life of an organization. A manager never ceases to guide, inspire and supervise his subordinates. A manager cannot get things done simply by issuing the orders and instruction. He must continually provide motivation and leadership to get the orders and instructions executed.**3. Pervasive function:** Direction initiates at the top and follows right up to the bottom of an organization. Every manager in the organization gives direction to his subordinates as superior and receives the direction as subordinates from his superior. Direction function is performed at every level of management and in every department of the organization.**4. Creative function:** Direction makes things happen and converts the plans into performance. It is the process around which all the performance revolves. Without the direction, human forces in an organization become inactive and consequently physical factors become useless. It breathes life into organization.**5. Linking function:** Planning, organizing and staffing are merely preparation for doing the work and the work actually starts when managers perform the directing function. Direction puts plans into an action and provides performance for measurement and control. In this way, directing serves as a connecting link between planning and control.**6. Management of human factor:** Direction is the interpersonal aspects of management. It deals with the human aspect of organization. Human behavior is very dynamic and is conditioned by a complex of forces about which not much is known. Therefore, the direction is a very difficult and challenging function.

**Principles of Directing** Directing is a complex function as it deals with people whose behaviour is unpredictable. Managers can follow the following principles while directing their subordinates.**1. Harmony of objectives:** Individuals join the organization to satisfy their physiological and psychological needs. They are expected to work for the achievement of an organizational objectives. They will perform their tasks better if they feel that it will satisfy their personal goals. Therefore, agreement should reconcile the personal goals of employees with the organizational goals.**2. Maximum individual contribution:** Organizational objectives are achieved at the optimum level when every individual in the organization makes maximum contribution towards them. Managers should, therefore, try to elicit maximum possible contribution from each subordinate. **3. Unity of command:** A subordinate should get orders and instruction from one superior only. If he is made accountable to two bosses simultaneously, there will be confusion, disorder, conflict and

indiscipline in the organization. Therefore, every subordinate should be asked to report to only one manager.

**4. Appropriate techniques:** The manager should use correct direction techniques to ensure efficiency of direction. The technique used should be suitable to the superior, the subordinates and the situation.

**5. Direct supervision:** Direction becomes more effective when there is a direct personal contact between the superior and his subordinates. Such contact improves the morale and commitment of the employees. Therefore, whenever possible direct supervision should be used.

**6. Managerial communication:** A good system of communication between the superior and his subordinates helps to improve the mutual understanding. Upwards communication helps a manager to understand the subordinates to express their feeling.

#### 1.5.4 Staffing

Early definition of staffing focused narrowly on hiring people for vacant positions in an enterprise. Today, staffing is termed as human resource management and defined more broadly. Staffing may be defined as a managerial function of attracting, developing, acquiring and retaining the human resources in order to provide the talent necessary for work activities leading to accomplishment of organizational objectives. This definition emphasizes that people are vital and valuable for resources requiring proper care and attention.

Thus, staffing involves filling up various managerial and non-managerial positions created in the organization structure with qualified persons, upgrading the quality and usefulness of the members of organization for its success and its retaining the members by providing adequately for their welfare and career advancement.

The staffing process involves human resource planning, job analysis, recruitment, orientation, selection, placement, training and development, compensation performance appraisal, career development, promotion, transfer and separation. In many organizations most of the aforesaid activities are handled by the Personnel Department, now popularly known as Human Resource Management Department. It may be noted that staffing decisions and initiatives are the basic responsibility of line managers. However, the personnel management department provides necessary specialist services as well as supportive and administrative services to line managers for effective management of human resources.

Staffing is a continuous function of management because the human resources continue to be a significant factor in organizational success and therefore the organization always needs to acquire and retain in proper form its personnel. Moreover, employee welfare and development, expansion and diversification, demotions and separations, retirement and death, promotion and transfers, modernization and change, etc are common events continually taking place in an organization, rendering staffing a never ending process.

Managers have to keep a regular watch on the number and composition of people required by the organization. The continuous nature of staffing is self-evident, as employees need regular care, balance and development to be effective for contribution towards achievement of expected results. Establishing and maintaining the congruence between organizational goals and employees, personal goals is also an important regular aspect of organization's working.

## Importance of Staffing

Progressive and successful organizations treat all the employees as valuable human resources. Productivity and the resultant financial reward are dependent solely on the quality and skill of people. Some organizations make up for their lack of natural resources by their dedication to the maximum possible development of their human resources.

If employees are put first, they help the enterprise to prosper. Staffing function provides proper mechanisms for efficient handling of personnel matters, including workers and grievances. Filed research indicates that employees tend to return the favour when they are treated with dignity and respect. Specially, it is reported that professional employees kept higher organizational commitment when their employer's human resource practice were perceived to be fair and just. Staffing is responsible for creating such practices. **Activities** Staffing activities, though all derived from organization strategy and structure, in turn activate the strategic management and the structure. Strategic orientation in staffing function increases the chances of organizational success. **Process** Staffing process and policies play a considerable role in acquiring the right people at right time on right positions. Effective staffing function strives to establish the cost-benefit relationship while manning the positions in the organization structure – people are acquired at lower outflows for providing greater efforts, optimal contribution and higher commitment. **Relationship** Staffing is important in its relationship with other managerial functions, because without their human resources, organizations would remain empty skeletons that cannot move to achieve their goals. The functions of planning, directing, organizing and controlling become nonstarters without people in the organization. It is clear that the effectiveness of other managerial functions depends on the degree of efficiency with which the staffing function is done.

An organization is healthy, strong and successful to the extent that its people are capable, skillful and committed. Further, the attitudes, orientations and performance of people partly depend on how efficiently the staffing function is handled by the enterprise and how much attention top management gives to it. **Need** Staffing function takes care of the need for building a sound organization. In a sense, organization widely differs in their quality and competence due to large variations in their human resources.

## Principles of Staffing

Staffing not only helps in acquiring the right talent, but also strives for nurturing. There are no universally accepted staffing principles. However, Heinz Weirich and Harold Koontz have identified certain useful major principles or guidelines for understanding and performing more effective staffing function. **1. Principle of the Objective of Staffing**

The objective of managerial staffing is to ensure that those qualified personnel who are able and willing to occupy them fill organization roles. There is considerable evidence of failure to achieve the results when these qualities are lacking.

### 2. Principle of Staffing

The clearer the definition of organization roles and their human requirements and the better the techniques of manager appraisal and training employed, the higher the managerial quality. Those organizations that have no established job definitions, no effective appraisals and no system for training and development, will have to rely on coincidence or outside sources to fill the positions with able managers. On the other hand organizations applying the systems approach to staffing and human resource management, will utilize the potentials of individuals in the enterprise more effectively and efficiently.

### **3. Principle of Job Definition**

The more precisely the results expected of managers are identified, the more the dimensions of their positions can be defined. Since, the organizational roles occupied by people with different needs, these roles must have many dimensions – such as pay, power, status, direction and possibility of accomplishment – that induce managers to perform.

### **4. Principles of Managerial Appraisal**

The more clearly variable objectives and required managerial activities are identified, the more precise can be the appraisal of managers against these criteria. This principle suggests that the performance should be measured both against verifiable objectives and against standards of performance as managers. The appraisal of managers as manager considers how well the key managerial activities within the functions of planning, organizing, staffing, directing and controlling are carried out.

### **5. Principle of Open Competition**

The more an enterprise is committed to the assurance of quality management, the more it will encourage open competition among all candidates for management positions. Violation of this principles has led many firms to appoint managers with inadequate abilities. Although social pressures strongly favour promotion from within the enterprise, these forces should be resisted whenever better candidates can be brought in from the outside. At the same time, the application of this principle obligates the enterprise to appraise its people accurately and to provide them with opportunities for development.

**6. Principle of Management Training and Development**The more management training and development are integrated with the management process and enterprise objectives, the more effective the development programmers and activities will be. This principle suggests that in the systems approach, training and development efforts are related to the managerial functions, the goals of the enterprise and the professional needs of managers.

### **7. Principle of Training Objectives**

The more precisely the training objectives are stated; the more likely are the chances of achieving them. The analysis of training needs is the basis for training objectives that give direction to development and facilitate the measurement of the effectiveness of training efforts. This principle



brings into focus the contribution that training makes to the purpose of the enterprise and the development of individuals.

### **8. Principles of Continuing Development**

The more an enterprise is committed to managerial excellence, the more it requires that manager practice continuing self-development. This principle suggests in a fast-changing and competitive environment, that managers cannot stop learning. Instead, they have to update their managerial knowledge continuously, reevaluate their approaches to managing and improve their managerial skills and performance to achieve enterprise results.

## 1.5.5 Controlling

### Meaning and Definition of Controlling

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

According to Theo Haimann, “**Controlling** is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”. According to Koontz & O’Donell “**Controlling** is the measurement and correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”.

The managerial function controlling always maximize the use of scarce resources to achieve the purposeful behaviour of employees in an organization. In planning stage, it is decided that how the resources would be utilized but where as in the controlling stage it is observed that whether the resources are being utilized in the same way as planned or not. Thus, control completes the whole sequence of management process.

**Controlling** consists of verifying whether everything occurs in confirmities with the plans adopted, instructions issued and principles established. **Controlling** ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. **Controlling** measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions. According to Brech, “**Controlling** is a systematic exercise which is referred as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs.” According to Donnell, “Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course.”

Therefore **controlling** has following steps:

- (i) Establishment of standard performance.
- (ii) Measurement of actual performance.
- (iii) Comparison of actual performance with the standards and finding out deviation if any.
- (iv) Corrective action.

### Features of Controlling Function

Following are the characteristics of **controlling** the function of management:

- a. Controlling is an end function-** A function which comes once the performances are made in conformance with plans.
- b. Controlling is a pervasive function-** Which means it is performed by managers at all levels and in all type of concerns.
- c. Controlling is forward looking-** Because effective control is not possible without past being controlled. Controlling always look to future so that follow-up can be made whenever required.
- d. Controlling is a dynamic process-** Since controlling requires taking reviewal methods, changes have to be made wherever possible.
- e. Controlling is related with planning-** Planning and Controlling are two in-separable functions of management. Without planning, **controlling** is a meaningless exercise and without **controlling**, planning is useless. Planning presupposes **controlling** and controlling succeeds planning.

### Barriers for Controlling

There are many barriers, among the most important of them:

- **Control activities** can create an undesirable overemphasis on short-term production as opposed to long- term production.
- **Control activities** can increase employees' frustration with their jobs and thereby reduce morale. This reaction tends to occur primarily where management exerts too much control.
- **Control activities** can encourage the falsification of reports.
- **Control activities** can cause the perspectives of organization members to be too narrow for the good of the organization.
- **Control activities** can be perceived as the goals of the **control process** rather than the means by which corrective action is taken.

### Requirements For Effective Control

The requirements for **effective control** are:

- a) Control should be tailored to plans and positions:** This means that, all control techniques and systems should reflect the plans they are designed to follow. This is because every plan and every kind and phase of an operation has its unique characteristics.
- b) Control must be tailored to individual managers and their responsibilities:** This means that controls must be tailored to the personality of individual managers. This because control systems

and information are intended to help individual managers carry out their function of control. If they are not of a type that a manager can or will understand, they will not be useful.

**c) Control should point up exceptions as critical points:** This is because by concentration on exceptions from planned performance, controls based on the time honored exception principle allow managers to detect those places where their attention is required and should be given. However, it is not enough to look at exceptions, because some deviations from standards have little meaning and others have a great deal of significance.

**d) Control should be objective:** This is because when controls are subjective, a manager's personality may influence judgments of performance inaccuracy. Objective standards can be quantitative such as costs or man hours per unit or date of job completion. They can also be qualitative in the case of training programs that have specific characteristics or are designed to accomplish a specific kind of upgrading of the quality of personnel.

**e) Control should be flexible:** This means that controls should remain workable in the case of changed plans, unforeseen circumstances, or oversight failures. Much flexibility in control can be provided by having alternative plans for various probable situations.

**f) Control should be economical:** This means that control must worth their cost. Although this requirement is simple, its practice is often complex. This is because a manager may find it difficult to know what a particular system is worth, or to know what it costs.

**g) Control should lead to corrective actions:** This is because a control system will be of little benefit if it does not lead to corrective action, control is justified only if the indicated or experienced deviations from plans are corrected through appropriate planning, organizing, directing, and leading.

# Marketing Function of Management

Modern Concept of Marketing, The Functional Classification of Marketing, Functions of a Marketing Management, Marketing Mix, Fundamental Needs of Customers, The Role of Distribution channels in Marketing, Advertising, Marketing, Consumerism and Environmentalism.

---

## 2.1 Modern Concept of Marketing

The basic/core concept on which marketing is based on is given below:

**Need, Wants and Demand:** Marketing begins with the human needs and wants. Needs are feelings of deprivation of some Satisfaction. People need food, water, air, shelter to survive. Wants are the desire for to satisfies of needs. Wants which are backed by the purchasing power becomes demand.

**Products (Goods, Services and Ideas):** A product is anything that can be offered to satisfy a need or want. A product may consist of three components- physical goods, ideas and services.

**Value, Cost and Satisfaction:** Value means the customer's estimate of the product's overall capacity to satisfy the user needs. Cost is the price which a customer pays for the products. Satisfaction is inner felling.

**Exchange and Transaction:** Exchange is the process of obtaining a desired product from someone by offering something in return. This exchange leads to transactions.

**Relationship and Networks:** Relationship marketing refers to the process of building the long-term satisfying relationship with customer, suppliers and distributors.

**Marketing Environment:** Marketing environments are divided into two parts. Internal environment includes the customer, suppliers, employees, managements, productions, etc. On the other hand the external environment includes sociocultural environment, technological, economic environment, political, etc.

**Competition:** Completion may come in many forms. A firm always competes with the existing player. Threat of the potential competitor is also taken in consideration. Substitute product is also a competitor to the firm.

**Supply Chain:** Supply chain is a longer channel, which includes backward and forward logistic. It stretches from the raw materials to delivery of finished goods to the ultimate consumer. Capturing higher value of supply chain gives firm a competitive advantage over competitor firms.

### **Evolution of Marketing Concept**

Old concept of marketing was to make the goods available so that people who had needs can buy. But as the human needs changes and many players offering same goods, the concept changes to satisfy their needs.

The core concept of marketing is “exchange process” have stated since from the human civilization and it has transformed through many phases into modern marketing management today.

**Exchange oriented Stages:** After the stages of nomads people started to settle on the banks of rivers and engaged in agriculture and other economic activities. Then the problem of deficit and surplus in production came into existence. In order to have the smooth exchanges “Barter System” came into existence. This is the starting point of marketing activities.

**Production oriented Stages (1760-1830):** This stage came with the dawn of industrial revolution which started during the year 1760. The concept behind this stage was if we can offer products with reasonable price and quality, nothing can prevent us from selling and making profits out of it. Here the producer gave more emphasis on their production not on the customer requirements.

**Sales oriented Stage:** Technological development, improving living standard, development in communication and transportation leads people to believe that they can demand more quality goods from the producers than they were offering. Producers started realizing that the consumers will normally not buy enough unless they are approached with a substantial selling and promotional efforts. Under this concept the greater emphasis was on increasing the sales than on customer satisfaction.

**Marketing oriented Stages:** As the consumer demand and the producer’s supply came into equal positions, the producers were forced to rethink over the selling concept and thus it leads to introduction of the marketing concepts. Moreover, the intense competition in the market made producers realize that products could not be sold without having a strong understanding of consumer needs and preferences.

**Consumer oriented Stage:** This stage have totally opposite view than the other stages above. Here the producers started producing products by keeping in mind the requirement of the customer. Production process are adjusted and re-adjusted in order to keep align with ever changing needs of customers. Competition becomes a keen factor here.

**Management oriented Stages:** This is the present stage of the evolution of marketing concept. Consumer marketing became an accepted marketing philosophy. Today marketing is the most crucial in business planning and in decision-making.

## 2.2 The Functional classification of Marketing

The administrators and the managers were purely production oriented and the field of functions in marketing was completely neglected. The troubles and difficulties are no mans concern, they slowly began to understand, identify and analyze the importance of marketing functions during the fifties when they faced the problems of excess production.

Hence, those who have understood the concept of marketing function and practiced accordingly survived and others were slowly edged out of the field of marketing. The developing countries particularly countries like India have to concentrate a little more in this field so that they can avoid problems of scarcity and excess productions.

The word marketing was a recent addition to the industrial vocabulary. At initial stages of its development it just referred to buying and selling activities at market place. As the days pass on after the world war II the concept was adapted to include many factors and functions come under its meaning. During the forties and fifties of this century the managers and administrators were purely production oriented and the field and functions of marketing was in no mans thinking.

But when they faced the problems of excess production during the 50's they slowly began to understand, identify and analyze the term marketing and its functions. Hence, those who have understood the concept and practiced accordingly survived and others were slowly being eased out of the field. All the developing countries like India to concentrate a bit more in this field so that they can avoid problems of scarcity and excess production simultaneously.

After the production, goods have to pass through multi-various activities, before it reaches the ultimate consumer. Some of the activities are general and others are special.

More than the distribution of the goods, products and services, marketing in its ambit includes the analysis of the feedback information's form the consumers and users. This feedback information is used after the existing decisions and policies. So that the organizational goals say that, marketing start and ends with the consumer. By condensing the above said information we can define the marketing function. As an act, the operation or services which the original product and the ultimate consumer are linked together.

If brief marketing is involved in all activities of economic nature. From the economics point of view it creates time, place and possession utilities. Even though most of the functions are performed by so called and intermediaries, this does not reduce or lesson the importance of such functions in any way. These varied functions are grouped under three types of process. They are:

- (a) Concentration
- (b) Equalization
- (c) Dispersion

(a) Concentration

Under concentration process, goods and products are collected together at a central point to facilitate further action upon them. It is concerned with gathering, collecting and concern rating raw materials, partly finished goods and finished products, etc., at central points. This concentration to a certain extent embraces various other functions also such as assembling, storage, grading, financing and standardization risk taking, etc.

### **(b) Equalization**

According to Clark, equalization consists of adjustment of supply to the demand on the basis of the time and quality. This sort of adjustment can be done through storage and transportation in market centers.

### **(c) Dispersion**

It refers to the allotment of raw materials to the producer and the final products to the consumers in lots of small and big sizes suitable for their consumption.

### **Classification of Marketing Functions**

There is consensus regarding the functional area of marketing. It varies from 5 to 36 and Rayan has even identified 120 different kinds of marketing functions in the marketing journey of the products.

If we accept the marketing concept, then we must agree to the simple proposition that supply in the functions of demand and therefore subservient to it, here demand is the limiting and key factor. So, a better understanding of the demand will make clear about the various functions of marketing. Bates and Parkinson divide it into four aspects. They are:

1. Analysis and forecasting i.e., marketing research
2. Product development and design
3. Influencing the demand design, advertising, etc.
4. Service distribution after sales, service, etc.

The success in marketing of a firm depends upon the co-ordination of these ingredients in such a way as to create a suitable mix to the particular situation in hand.

### **Market is classified on the basis of:**

1. Place
2. Time
3. Competition.

### **On the basis of Place, the market is classified into:**



1. Local Market or Regional Market.
2. National Market or Countrywide Market.
3. International Market or Global Market.

**On the basis of Time, the market is classified into:**

1. Very Short Period Market
2. Short Period Market
3. Long Period Market
4. Very Long Period Market.

**On the basis of Competition, the market is classified into:**

1. Perfectly Competitive Market Structure.
2. Imperfectly Competitive Market Structure.

Both these market structures widely differ from each other in respect of their features, price, etc. Under imperfect competition, there are different forms of markets like monopoly, duopoly, oligopoly and monopolistic competition.

1. A monopoly has only one or a single seller.
2. Duopoly has two sellers.
3. Oligopoly has little or fewer number of sellers.
4. Monopolistic competition has many or several numbers of sellers.

## 2.2.1 Functions of a Marketing Management

**Nature and Function of Marketing** If we ask different people what marketing is, the chances are that we would get different definitions. Marketing is a vast field. Marketing deals with the products. A product can be a good, service or an idea. Marketers thus need to be very careful when approaching to a customer.

Following are the features of modern marketing which marketer should know very well.

**Consumer Focused:** Marketing is consumer dependent. What ever goods a producer produces, he should keep in mind the customer needs and wants. Business exists in order to fulfill customer demands.

**System:** Marketing is a system consisting of several inter-depending activities. These activities are sales, demand forecasting, production, market research, etc.

**Goal:** Like other business activities, marketing seeks to achieve some useful result. The ultimate goal of the marketing is to generate profits by satisfying customer needs and demands.

**Exchange:** Marketing activities involves the exchange process. Exchange may be of goods and services, idea, exchange of information, feedback or it may be transactions.

**Multi-disciplinary:** Marketing is inter-disciplinary in nature. It has borrowed heavily from economics, statistics, sociology, law, etc.

**Process:** It comprises a series of function which are interrelated. It is a dynamic process because it keeps on adjusting to the changes in the sense that it is concerned with human needs.

## 2.2.2 Marketing Mix

All the variables in a Marketing Mix are the variables that can be controlled. They can all be controlled to achieve all the objectives of the company and earn as much money as possible to the company to make profit and increase all stars stock price.

The marketing mix is made up of product, promoting, pricing and place of distribution.

### Product

Product mix is a combination of products manufactured or traded by the same business house to reinforce their presence in the market, increase the market share and increase the turnover for more profitability. Normally the product mix is within the synergy of other products for a medium size organization. However, large groups of Industries may have diversified products within core competency. Larsen & Toubro Ltd, Reliance, Godrej in India are some of the examples.

## Price

Pricing of any product is a very tricky thing. Because the price has to go up or down according to inflation. But price also has to go up or down according to the price change is competitors and how much demand there is for the product in the market.

All round's price has steadily gone up over the last ten years. The price went up according to the inflation and the prices of our competition. All-round is the product that sells the most and the price has always been competitive enough but too high to the point when people choose to purchase another product. At the same time the price is not too low to the point where people think its "cheap". We have gradually reduced the discount schedule because the awareness of the product has gone up over the ten years the product has been in the market.

## Place

The distribution channel is the same for all three All-star products. Money is allocated to every channel according to the data obtained from our market research. We allocate the money according to the distribution based on retail sales.

## Promotion

The promotion and advertising for the three products is probably the most important aspect of marketing mix because its promotion and advertising that makes people aware of the product and what it can do for them.

### 2.2.3 Fundamental Needs of Customers

#### The Six Basic Needs of Customers

- 1. Friendliness** Friendliness is the most basic of all the customers needs, usually associated with being greeted graciously and with warmth. We all want to be acknowledged and welcomed by someone who sincerely is glad to see us. A customer should not feel they are an intrusion on the service provider's work day.
- 2. Understanding and empathy** Customers need to feel that the service person understands and appreciates their circumstances and feelings without any criticism or judgment. Customers have simple expectations that we who serve them can put ourselves in their shoes, understanding what it is they came to us for in the first place.
- 3. Fairness** We all need to feel we are being treated fairly. Customers get very annoyed and defensive when they feel they are subject to any class distinctions. No one wants to be treated as if they fall into a certain category, which is left wondering if "the grass is greener on the other side" and if they only received second best.
- 4. Control** Control represents the customers' need to feel they have an impact on the way things turn out. Our ability to meet this need for them comes from our own willingness to say "yes" much

more than we say “no.” Customers don’t care about policies and rules; they want to deal with us in all our reasonableness.

**5. Options and alternatives** Customers need to feel that other avenues are available in getting what they want to accomplished. They realize that they may be charting virgin territory and they depend on us to be “in the know” and provide them with the “inside scoop.” They get pretty upset when they feel they have spun their wheels getting something done, and we knew all along a better way, but never made the suggestion.

**6. Information** Customers need to be educated and informed about the products and services, and they don’t want us leaving anything out. They don’t want to waste precious time doing homework on their own – they look to us to be their walking, talking and information central.

---

## 2.3 The Role of Distribution channels in Marketing

### Distribution channel

It is defined as a chain of intermediaries; each passing the product down the chain to the next organization, before it finally reaches the consumer or end-user. This process is known as the 'distribution chain' or 'channel'. Each of the elements in these chains will have their own specific needs, which the producer must take into account, along with those of the all-important end-user.

### Channels

A number of alternate 'channels' of distribution may be available:

- Distributor, who sells to retailers
- Retailer, who sells to end customers
- Advertisement typically used for consumption goods.

Distribution channels may not be restricted to physical products alone. They may be just as important for moving a service from the producer to consumer in certain sectors, since both the direct and indirect channels may be used. Hotels, for example, may sell their services directly or through travel agents, tour operators, centralized reservation systems, airlines, tourist boards, etc.

If we mention a single sentence the distribution channel is nothing but it is a process of transferring the products or services from Producer to Customer or end user.

There have also been some innovations in the distribution of services. For example, there has been an increase in franchising and in rental services - the latter offers anything from the televisions through tools. There has also been some evidence of service integration, with services linking together, particularly in the travel and tourism sectors.

For example, links now exist between the airlines, hotels and car rental services. In addition, there has been a significant increase in retail outlets for the service sector. Outlets such as the estate agencies and building society offices are crowding out the traditional grocers from major shopping areas.

### **Channel decisions**

- Channel strategy
- Gravity
- Push and Pull strategy
- Cost
- Product
- Consumer location.

### **Managerial concerns**

The channel decision is very important. In theory at least, there is a form of trade-off: the cost of using the intermediaries to achieve wider distribution is supposedly lower. Indeed, most of the consumer goods manufacturers could never justify the cost of selling directly to their consumers, except by mail order.

Many suppliers seem to assume that once their product has been sold into the channel, at the beginning of the distribution chain, then their job is finished. Yet that distribution chain is merely assuming a part of the supplier's responsibility and if they have any aspirations to be market-oriented, their job should really be extended in managing all the processes involved in that chain, until the product or service arrives with the end-user. This may involve a number of decisions on the part of the supplier:

- Channel membership
- Channel motivation
- Monitoring and managing channels.

### **2.3.1 Advertising**

Advertising is a form of marketing communication used to persuade an audience to take or continue some action, usually with respect to a commercial offering, or political or ideological support.

In Latin, *ad vertere* means "to turn toward". The purpose of advertising may also be to reassure employees or shareholders that a company is viable or successful. Advertising messages are usually

paid for by sponsors and viewed via various old media; including the mass media such as newspaper, television advertisement, magazines, radio advertisement, outdoor advertising or direct mail; or new media such as blogs, websites or text messages.

Commercial advertisers often seek to generate increased consumption of their products or services through "branding", which involves associating the product name or image with certain qualities in the minds of consumers.

Non-commercial advertisers who spend money to advertise items other than a consumer product or service include the interest groups, political parties, religious organizations and governmental agencies. Nonprofit organizations may rely on free modes of persuasion, such as a public service announcement (PSA).

### **Types of Advertisement**

Virtually any medium can be used for advertising. Commercial advertising media can include wall paintings, billboards, street furniture components, printed flyers and rack cards, radio, cinema and television adverts, shopping carts, web banners, mobile telephone screens, web popups, bus stop benches, skywriting, human billboards and forehead advertising, magazines, newspapers, sides of buses, town criers, banners attached to or sides of the airplanes ("logojets"), in-flight advertisements on seatback tray tables or overhead storage bins, roof mounts and passenger screens, taxicab doors, musical stage shows, subway platforms and trains, elastic bands on disposable diapers, doors of bathroom stalls, stickers on apples in supermarkets, shopping cart handles, the opening section of streaming audio and video, posters and the backs of event tickets and supermarket receipts. Any place an "identified" sponsor pays to deliver their message through a medium is advertising.

### **Television advertising/Music in advertising**

The television commercial is generally considered the most effective mass-market advertising format, as it is reflected by the high prices television networks charge for commercial airtime during popular events. The annual Super Bowl football game in the United States is the most prominent advertising event on the television. The average cost of a single thirty-second television spot during this game reached US\$3.5 million in the year 2012.

Virtual advertisements may be inserted into regular programming through computer graphics. It is typically inserted into blank backdrops or used to replace the local billboards that are not relevant to the remote broadcast audience. More controversially, the virtual billboards may be inserted into the background where none exist in the real-life. This technique is especially used in televised sporting events. Virtual product placement is also possible.

### **Infomercials**

An infomercial is a long-format television commercial, typically five minutes or longer. The word "infomercial" is a portmanteau of the words "information" and "commercial". The main objective in infomercial is to create an impulse purchase, so that the target sees the presentation and then

immediately buys the product through the advertised toll-free telephone number or through website. Infomercials display, describe and often demonstrate the products and their features, and commonly have testimonials from customers and industry professionals

### **Radio advertising**

Radio advertisements are broadcast as radio waves to the air from a transmitter to an antenna and thus to a receiving device. Airtime is purchased from a station or network in exchange for airing the commercials. While radio has the limitation of being restricted to sound, proponents of radio advertising often cite this as an advantage. Radio is an expanding medium that can be found on the air, and also in online. According to Arbitral, radio has approximately 241.6 million weekly listeners, or more than 93 percent of the U.S. population.

### **Online advertising**

Online advertising is a form of promotion that uses the Internet and World Wide Web for the expressed purpose of delivering marketing messages to attract customers. Online ads are delivered by the ad server. Examples of online advertising include the contextual ads that appear on the search engine results pages, banner ads, rich media ads, in pay per click text ads, Social network advertising, online classified advertising, advertising networks and e-mail marketing, including the e-mail spam.

### **Domain name advertising**

Domain name advertising is most commonly done through pay per click search engines, however, the advertisers often lease space directly on domain names that generically describe their products. When an Internet user visits a website by typing a domain name directly into their web browser, this is referred as "direct navigation" or "type in" web traffic. Although many Internet users search for ideas and products using the search engines and mobile phones, a large number of users around the world are still using the address bar. They will type a keyword into the address bar such as "geraniums" and adds ".com" to the end of it.

Sometimes they will do the same with ".org" or a country-code Top Level Domain. When the Internet users type in a generic keyword and adds .com or another top-level domain (TLD) ending, it produces a targeted sales lead. Domain name advertising was originally developed by Oingo (later referred as Applied Semantics), one of Google's early acquisitions.

### **New media**

Technological development and economic globalization favors the emergence of new communication channels and new techniques of commercial messaging.

### **Product placements**

Covert advertising, is when a product or brand is embedded into the entertainment and media. For example, in a film, the main character can use an item or other of a definite brand, as in the movie

Minority Report, where Tom Cruise's character John Anderson owns a phone with the Nokia logo clearly written in the top corner, or his watch engraved with the Bulgaria logo.

Another example of advertising in film is in *I, Robot*, where main character played by Will Smith mentions his Converse shoes several times, calling them "classics", because the film is set far in the future. *I, Robot* and *Spaceballs* also showcase futuristic cars with the Audi and Mercedes-Benz logos clearly displayed on the front of the vehicles.

Cadillac chose to advertise in the movie *The Matrix Reloaded*, which as a result contained many scenes in which Cadillac cars were used. Similarly, product placement for Omega Watches, Ford, VAIO, BMW and Aston Martin cars are featured in recent James Bond films, most notably *Casino Royale*. In *"Fantastic Four: Rise of the Silver Surfer"*, the main transport vehicle shows a large Dodge logo on the front. *Blade Runner* includes some of the most obvious product placement; the whole film stops to show a Coca-Cola billboard.

### **Press advertising**

Press advertising describes advertising in a printed medium such as a magazine, newspaper or trade journal. This encompasses everything from media with a very broad readership base, such as major national newspaper or magazine, to more narrowly targeted media such as local newspapers and trade journals on very specialized topics. A form of press advertising is classified as advertising, which allows the private companies or individuals to purchase a small, narrowly targeted ad for a low fee advertising a product or service. Another form of press advertising is the display ad, which is a larger ad that typically runs in an article section of a newspaper.

### **Billboard advertising**

Billboards are large structures located in public places which display advertisements to passing the pedestrians and motorists. Most often, they are located on main roads with a large amount of passing motor and pedestrian traffic; however, they can be placed in any location with large amounts of viewers, such as on mass transit vehicles and in shopping malls, in stations or office buildings and in stadiums.

### **Mobile billboard advertising**

Mobile billboards are generally vehicle mounted billboards or digital screens. These can be on dedicated vehicles built solely for carrying the advertisements along the routes preselected by clients, they can also be specially equipped cargo trucks or in some cases, large banners strewn from planes. The billboards are often lighted, some being the backlit and others employing the spotlights. Some billboard displays are static, while others change. For example, continuously or periodically rotating among a set of advertisements.

Mobile displays are used for various situations in metropolitan areas throughout the world, including: target advertising, one-day and long-term campaigns, sporting events, conventions, store openings and similar promotional events, and big advertisements from smaller companies.



### **In-store advertising**

In-store advertising is any advertisement placed in the retail store. It includes the placement of a product in visible locations in a store, such as at eye level, at the ends of aisles and near the checkout counters, eye-catching displays promoting a specific product and advertisements in such places as shopping carts and in-store video displays.

### **Coffee cup advertising**

Coffee cup advertising is any advertisement placed upon a coffee cup that is distributed out of an office, cafe or drive-through coffee shop. This form of advertising was first popularized in Australia and has begun growing in popularity in the United States and India.

### **Street advertising**

This type of advertising first came to prominence in the UK by Street Advertising Services to create an outdoor advertising on street furniture and pavements. Working with products such as air dancers, Reverse Graffiti and 3D pavement advertising, for getting brand messages out into public spaces.

### **Sheltered outdoor advertising**

This type of advertising combines the outdoor with indoor advertisement by placing large mobile, structures in public places on temporary bases. The large outdoor advertising space aims to exert a strong pull on the observer, the product is promoted indoors, where a creative decor can intensify the impression.

### **Celebrity branding**

This type of advertising focuses upon using the celebrity power, money, fame, popularity to gain recognition for their products and promote specific stores or products. Advertisers often advertise their products, for example, when the celebrities share their favorite products or wear clothes by specific brands or designers. Celebrities are often involved in the advertising campaigns such as television to advertise specific or general products. The use of celebrities to endorse a brand can have its downsides, however; one mistake by a celebrity can be detrimental to the public relations of a brand.

For example, following his performance of eight gold medals at the 2008 Olympic Games in Beijing, China, swimmer Michael Phelps' contract with Kellogg's was terminated, as Kellogg's did not want to associate with him after he was photographed smoking marijuana. Celebrities such as Britney Spears have advertised for multiple products including Pepsi, Candies from Kohl's, Twister, NASCAR and Toyota.

### **Customer-generated advertising**

This involves getting customers to generate advertising through wikis, blogs, websites and forums for some kind of payment.

**Aerial advertising**

Using balloons, aircraft or airships to create or display advertising media. Skywriting is a notable example.

### 2.3.2 Marketing, Consumerism and Environmentalism

Marketing function is a major specialized activity performed in marketing. The word marketing was a recent addition to the ever increasing list of industrial and technical terms. After the Second World War, the concept of marketing was adopted to include very many factors and specialized activities.

**Consumerism** is an organized social movement intended to strengthen the rights and power of consumers relative to sellers—alert marketers view it as an opportunity to serve the consumers better by providing more information, education and protection.

**Environmentalism** is an organized social movement seeking to minimize the harm done to the environment and quality of life by marketing practices; came in three waves:

First, driven by environmental groups and concerned consumers.

Second, federal government that passed laws and regulations.

Third, companies are now accepting responsibility for doing no environmental harm.

- Companies are now adopting the policies of environmental sustainability, by developing strategies that both sustain the environment and produce profits for the company.
- Both the consumerism and environmentalism are the important components of sustainable marketing.

#### Principles of sustainable marketing

- Under the sustainable marketing concept, a company's marketing should support the best long-run performance of the marketing system.
- The below sustainable marketing principles guide the sustainable marketing concept:

**(i) Consumer-oriented marketing:** A company should organize its marketing activities from the consumer's POV.

**(ii) Customer-value marketing:** A company should put most of its resources into customer-value-building marketing investments.

**(iii) Innovative marketing:** Requires a company seek real product and marketing improvements.

**(iv) Sense-of-mission marketing:** A company should define its mission in broad social terms rather than narrow product terms.



# Financial Function & HRM Functions

Financial Functions, Concept of Financial Management, Project Appraisal, Tools of Financial decisions making, Overview of Working Capital. HRM Function of Management: Human Resource Management, Human Resource Development, Importance of HRM, Overview of Job Analysis, Job Description, Job Specification, Labour Turnover. Manpower Planning, Recruitment, Selection, Induction, Training and Development, Placement, Wage and Salary Administration, Performance Appraisal, Grievance Handling, Welfare Aspects.

---

## 3.1 Financial Functions

### Functions of Financial Management

**1. Estimation of capital requirements:** A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon the expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of the enterprise.

**2. Determination of capital composition:** Once the estimation have been made, the capital structure have to be decided. This involves both the short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and also the additional funds which have to be raised from outside the parties.

**3. Choice of sources of funds:** For additional funds to be procured, a company has many choices like:

- a. Issue of the shares and debentures.
- b. Loans to be taken from the banks and financial institutions.
- c. Public deposits to be drawn like in form of bonds.

Choice of factor will depend on the relative merits and demerits of each source and period of financing.

**4. Investment of funds:** The finance manager has to decide to allocate the funds into profitable ventures so that there is safety on investment and regular returns is possible.

- 5. Disposal of surplus:** The net profits decisions have to be made by the finance manager.
- 6. Dividend declaration** - This includes identifying the rate of dividends and other benefits like bonus.
- 7. Retained profits** - The volume has to be decided which will depend upon the expansional, innovation, diversification plans of the company.
- 8. Management of cash:** Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of salaries and wages, payment of electricity and water bills, meeting current liabilities, payment to creditors, maintenance of enough stock, purchase of raw materials, etc.
- 9. Financial controls:** The finance manager has not only to plan, procure and utilize the funds but he also has to exercise the control over finances. This can be done through many techniques like financial forecasting, ratio analysis, cost and profit control, etc.

### 3.1.1 Concept of Financial Management

Financial management is an academic discipline which is concerned with the decision-making. This decision is concerned with the size and composition of assets and the level and structure of financing. In order to make right decision, it is necessary to have a clear understanding of the objectives. Such objective provides a framework for right kind of financial decision making. The objectives are concerned with designing a method of operating the Internal Investment and financing of a firm. There are two widely applied approaches, such as:

#### (a) Profit maximization

#### (b) Wealth maximization

The term 'objective' is used in the sense of a goal, an object or decision criterion. The three decisions - financing decision, investment decision and dividend policy decision are guided by the objective. Therefore, what is relevant - is not the over-all objective but an operationally useful criterion: It should also be noted that the term objective provides a normative framework. Therefore, a firm should try to achieve on policies which should be followed so that certain goals are to be achieved. It should be noted that the firms do not necessarily follow them.

#### (a) Profit Maximization as a Decision Criterion

Profit maximization is considered as the goal of the financial management. The actions that increase the profits should be undertaken and the actions that decrease the profits are avoided. Thus, investment, financing and dividend also be noted that the term objective provides a normative framework decisions should be oriented to the maximization of profits. The term 'profit' is used in two senses.

In one sense it is used as an owner-oriented. Here, it refers to the amount and share of national Income that is paid to the owners of business. The second way is an operational concept i.e. profitability. This concept signifies the economic efficiency. It means profitability refers to a situation where output exceeds Input. It means, the value created by the use of resources is greater than the input resources. Hence in all the decisions, one test is used i.e. select asset, projects and decisions that are profitable and reject those which are not profitable. The profit maximization criterion is criticized on several grounds.

Firstly, the reasons for the opposition that are based on misapprehensions about the workability and fairness of the private enterprise itself. Secondly, the profit maximization suffers from the difficulty of applying this criterion in actual real-world situations. The term 'objective' refers to an explicit operational guide for internal investment and financing of a firm and not the overall business operations.

Limitations of profit maximization objective of financial management are:

### **1) Ambiguity:**

The term 'profit maximization' as a criterion for financial decision is vague and ambiguous concept. It lacks in precise connotation. The term 'profit' is amenable to different interpretations by different people. For example, the profit may be long-term or short-term. It may be total profit or rate of profit. It may be a net profit before tax or net profit after tax. It may return on total capital employed or total assets or shareholders equity and so on.

### **2) Timing of Benefits:**

Another technical objection to the profit maximization criterion is that, it ignores the differences in the time pattern of the benefits received from the investment proposals or courses of action. When the profitability is worked out the bigger the better principle is adopted as the decision is based on the total benefits received over the working life of the asset, Irrespective of when they were received.

### **3) Quality of Benefits**

Another important technical limitation of profit maximization criterion is that it ignores the quality aspects of benefits which are associated with the financial course of action. The term 'quality' means the degree of certainty associated with the benefits that can be expected. Therefore, the more certain the expected return, the higher the quality of benefits. As against this, the more uncertain or fluctuating the expected benefits, the lower the quality of benefits. The profit maximization criterion is not appropriate and suitable as an operational objective. It is unsuitable and inappropriate as an operational objective of Investment financing and dividend decisions of a firm. It is a vague and ambiguous. It ignores the important dimensions of financial analysis viz. Risk and time value of money.

An appropriate operational decision criterion for financial management should possess the following quality:

- a) It should be precise and exact.
- b) It should be based on bigger the better principle.
- c) It should consider both the quantity and quality dimensions of benefits.
- d) It should recognize time value of money.

### **(b) Wealth Maximization Decision Criterion**

Wealth maximization decision criterion is also referred as the Value Maximization or Net Present-Worth maximization. In the current academic literature value maximization is widely accepted as an appropriate operational decision criterion for the financial management decision. It removes the technical limitations of the profit maximization criterion. It possesses the three requirements of a suitable operational objective of financial courses of action. These three features are quality of benefits, exactness and the time value of money.

i) **Exactness:** The value of an asset should be determined in terms of return. Thus, the worth of a course of action should be valued in terms of returns less the cost of undertaking the particular course of action. Important element in computing the value of a financial course of action is the exactness in computing the benefits associated with course of action. The wealth maximization criterion is based on cash flows generated and not on accounting profit. The computation of cash inflows and cash out flows is precise. As against this the computation of accounting is not exact.

ii) **Quality and Quantity and Benefit and Time Value of Money:** The second feature of wealth maximization criterion is that. It considers both the quality and quantity dimensions of benefits. Moreover, it also incorporates the time value of money. As stated earlier the quality of benefits refers to certainty with which benefits are received in future.

The more certain the expected cash inflows the better the quality of benefits and higher the value. On the contrary the less certain the flows the lower the quality and hence, value of benefits. It should also be noted that money has time value. It should also be noted that benefits received in earlier years should be valued highly than benefits received later.

The operational implication of the uncertainty and timing dimensions of the benefits associated with a financial decision is that adjustments need to be made in cash flow pattern. It should be made to incorporate the risk and to make an allowance for differences in the timing of benefits. Net present value maximization is superior to the profit maximization as an operational objective.

It involves a comparison of the value of cost. The action that has a discounted value reflecting both time and risk that exceeds cost is said to create value. Such actions are to be undertaken. Contrary to this actions with less value than cost, reduce wealth should be rejected. It is for these reasons that the Net Present Value Maximization is superior to the profit maximization as an operational objective.

### **3.1.2 Project Appraisal**

Project appraisal is the process of assessing and questioning the proposals before resources are committed. It is an essential tool for effective action in community renewal. It's a means by which the partnerships can choose the best projects to help them achieve what they want for their community.

But appraisal has been a source of confusion and difficulty for the projects in the past. Audits of the operation of Single Project Budget schemes have highlighted the concerns about design and operation of project appraisal systems, including:

- A lack of independence and objectivity
- Mechanistic, inflexible systems
- A lack of clear definition of the stages of appraisal and of responsibility for these stages
- A lack of documentary evidence after carrying out the appraisal.

It's no surprise that audits or inspections are not impressed with the quality of appraisals and are specifically found with problems like:

- Individual appraisals which do not cover the necessary information or provide only a superficial analysis of the project.
- Particular problems in dealing with options, risks and value for money.
- Appraisals which are considered too burdensome for smaller projects.
- Rushed appraisals.

Project appraisal is a requirement before funding of programs is done. But tackling problems like those outlined above is about more than getting the systems right on paper. Experience in projects emphasizes the importance of developing an 'appraisal culture' which involves developing the right system for local circumstances and ensuring that everyone involved recognizes the value of project appraisal and has the knowledge and skills necessary to play their part in it.

### **What can Project Appraisal Deliver?**

Project appraisal helps the project initiators and designers to:

- Be consistent and objective in choosing the projects.
- Make sure their program benefits all sections of the community, including those from ethnic groups who have been left out in the past.
- Provides the documentation to meet the financial and audit requirements and to explain decisions to local people.



- **Appraisal justifies spending money on a project.**

Appraisal asks the fundamental questions about whether funding is required and whether a project offers good value for money. It can give confidence that the public's money is being put to good use and help identify other funding to support a project. Getting it right may help a community make its resources go further in meeting local need

- **Appraisal is an important decision making tool.**

Appraisal involves the comprehensive analysis of a wide range of judgments, data and assumptions, all of which need adequate evidence. This helps ensure that projects selected for funding:

- Will help a partnership achieve its objectives for its area.
- Are deliverable.
- Involve local people and take proper account of the needs of people from the ethnic minorities and other minority groups.
- Are sustainable.
- Have sensible ways of managing risk.

- **Appraisal lays the foundations for delivery.**

Appraisal helps ensure that projects will be properly managed, by ensuring appropriate financial and monitoring systems are in place, that there are contingency plans to deal with risks and setting milestones against which progress can be judged.

- **Getting the system right**

The process of project development, appraisal and delivery is complex and partnerships need systems, which suit the local circumstances and organization. Good appraisal systems should ensure that:

- Project application, approval and appraisal functions are separate.

All the necessary information is gathered for appraisal, often as part of the project development in which projects will need support.

- **Race/tribal equality and other equality issues should be given proper consideration.**

- Those involved in appraisal have appropriate information and training and make appropriate use of technical and other expertise.
- There are realistic allowances for time involved in the project development and appraisal.

- Decisions are within a implementers' powers.
- There are appropriate arrangements for very small projects.
- There are appropriate arrangements for dealing with the novel, contentious or particularly risky projects.

### **Appraising a project**

#### **Key issues in appraising projects include the following:**

- **Need, targeting and objectives**

The starting point for appraisal: applicants should provide a detailed description of the project, identifying the local need it aims to meet. Appraisal helps show if the project is the right response and highlight what the project is supposed to do and for whom.

- **Context and connections**

Appraisal should help show a project is consistent with the objectives of the relevant funding program and with the aims of the local partnership.

- **Consultation**

Local consultation may help determine the priorities and secure the community consent and ownership. More targeted consultation, with potential project users, may help ensure that project plans are viable. A key question in appraisal will be whether there has been appropriate consultation and how it has shaped the project.

- **Options**

Options analysis is concerned with establishing whether there are different ways of achieving objectives. This is a particularly complex part of the project appraisal and one where the guidance varies. It is vital though to review different ways of meeting the local need and key objectives.

- **Inputs**

Inputs important is to ensure that all the necessary people and resources are in place to deliver the project. This may mean thinking about funding from various sources and other inputs, such as volunteer help or premises. The appraisal should include the examination of appropriately detailed budgets.

- **Outputs and outcomes**

Detailed consideration must be given in appraisal to what a project does and achieves: its outputs and more importantly its longer-term outcomes. Benefits to neighborhoods and their residents are reflected in the improved quality of life outcomes (better housing, jobs, safety, health and so on)

and appraisals consider if these are realistic. But the projects also produce outputs and we need a more realistic view of output forecasts than in the past.

- **Value for money**

Value of money is one of the key criteria against which the projects are appraised. A major concern for government, it is also important for local partnerships and it may be necessary to take local factors, which may affect the costs, into account.

- **Implementation**

Appraisal will need to scrutinize the practical plans for delivering the project, asking whether staffing will be adequate, timetable for the work is a realistic one and if the organization delivering the project seems capable of doing so.

- **Risk and uncertainty**

We can't avoid risk – but we need to make sure we identify risk (is there a risk and if so what is it?), estimate the scale of risk (if there is a risk, is it a big one?) and evaluate the risk (how much does the risk matter to the project.) There should also be contingency plans in place to minimize the risk of project failure or of the major gap between what's promised and what's delivered.

- **Forward strategies**

The appraisal of forward strategies can be particularly difficult, given the inevitable uncertainties about how projects will develop. But is never too soon to start thinking about whether a project should have a fixed life span or, if it is to continue beyond the period of regeneration funding, what support it will need to do so. This is often thought about in terms of other funding but, with an increasing emphasis on mainstream services in neighborhood renewal, appraisal should also consider mainstream links and implications from the first.

- **Sustainability**

In regeneration, the sustainability has often been talked about simply in terms of whether a project can be sustained once the regeneration funding stops but sustainability has a wider meaning and under this heading, appraisal should include an assessment of a project's environmental, social and economic impact, its positive and negative effects.

While the appraisal will focus detailed attention on each of these areas, none of them can be considered in isolation. Some of them must be clearly linked – for example, a realistic assessment of outputs may be essential to the calculation of value for money. No project will score highly against all these tests and considerations. The final judgment must depend on a balanced consideration of all these important factors.

### **Checklist for project appraisal**

Whether we are involved in a partnership with an appraisal system in place, or starting to design one from scratch, these questions are worth asking.

- Are appraisals systematic and disciplined with a clear sequence of activities and operating rules?
- Does the appraisal process culminate in clear recommendations that inform approval (or rejection) of the project?
- Is there an independent assessment of the project by someone who has not been involved with the development of the project?
- Is the approval stage clearly separate?
- Is the appraisal process well documented, with key documents signed, showing the ownership and agreement, and allowing the appraisal documentation to act as a basis for future management, monitoring and evaluation?
- Does the appraisal system comply with any relevant government guidance?
- Are the right people involved at various stages of the process and, if necessary, how can we widen the involvement?

### 3.1.3 Tools of Financial decisions making

A key objective of using the accounting tools is to enable the sound decision making on the basis of tangible and consistent information available through one or more of five main accounting tools: Financial Statements, Forecasting, Financial Ratios, Investment Analysis and Management Accounting.

- **Financial Statements:** The most common accounting tool used for the business decisions are financial statements made up of the balance sheet, income statement and statement of cash flows. The workshop demonstrates how these financial statements can provide the business owners with specific information about expenses, revenues, assets, liabilities and positive or negative cash-flow functions. The review of such information can identify for management where the resources are being applied, their inventor carrying costs, the debt profile and the levels of profitability. The course also provides insight into how financial statements can be used to help the business owners develop budgets for planning the future expenditures.

- **Forecasting:** Simple effective forecasting tools are presented based upon the internal and external analysis methods used to determine the potential production output or sales of the company's products or services. Internal forecasting determines the amount of economic resources that a small businesses need to produce the highest amount of output at the lowest production cost. The external forecasting uses basic economic analysis to determine at what price point consumers will be most willing to purchase the maximum amount of goods.

- **Financial Ratios:** Provide a more in-depth analysis of the company's financial statements. The course shows how useful the financial ratios extract information from the financial statements and other complimentary sources to develop indicators that can provide insights into the strengths and weaknesses of the company. For example, the financial ratios measure the company's ability to pay short-term liabilities, the use of assets to generate revenues, long-term cash-flow sustainability and the amount of leverage used to finance business resources.

These indicators may also be compared to a leading competitor or an industry standard to determine how well the company operates compared with the other businesses.

- **Investment Analysis:** The course provides an introduction to the use of accounting to conduct the investment analyses. Investment analysis may be applied to new business opportunities that will maximize the company's profitability or selecting equity securities to generate a passive income streams or securing debt financing for business funding.

- **Management Accounting:** The course explores how management accounting, an internal business function, is used to allocate the business costs to goods or services produced by a company. Management accounts, properly interpreted, can be used to ensure that all the production costs are recouped on the sale of goods or services in the economic marketplace.

### 3.1.4 Overview of Working Capital

Working capital (WC) is a financial metric which represents the operating liquidity available to a business, organization or other entity, including the governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of the operating capital. Gross working capital equals to current assets. Working capital is calculated as a current assets minus current liabilities. If the current assets are less than current liabilities, an entity has a working capital deficiency, also referred as working capital deficit.

A company can be endowed with the assets and profitability but short of liquidity if its assets cannot readily be converted into cash. A positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both the maturing short-term debt and upcoming operational expenses. The management of working capital involves the managing inventories, accounts receivable and payable and cash.

Working capital is the difference between the current assets and the current liabilities. It is the amount invested by the promoters on the current assets of the organization.

The basic calculation of the working capital is done on the basis of the gross current assets of the firm.

Working capital = current assets - current liabilities.

Current assets and current liabilities include three accounts which are of special importance. These accounts represent the areas of the business where the managers have the most direct impact:

- Accounts receivable (current asset)
- Inventory (current assets)
- Accounts payable (current liability).

The current portion of debt is critical, because it represents a short-term claim to current assets and is often secured by the long term assets. Common types of short-term debt are bank loans and lines of credit.

An increase in net working capital indicates that the business has either increased the current assets or has decreased the current liabilities—for example has paid off some short-term creditors or a combination of both.

#### **Working capital cycle**

The working capital cycle (WCC) is the amount of time it takes to turn the net current assets and the current liabilities into cash. The longer the cycle is, the longer a business is tying up the capital in its working capital without earning a return on it. Therefore, the companies strive to reduce their

working capital cycle by collecting the receivables quicker or sometimes stretching accounts payable.

### **Meaning**

A positive working capital cycle balances incoming and outgoing payments to minimize net working capital and maximize free cash flow. For example, a company that pays its suppliers in 30 days but takes about 60 days to collect its receivables has a working capital cycle of 30 days. This 30 day cycle usually needs to be funded through a bank operating line and the interest on this financing is a carrying cost that reduces the company's profitability. Growing businesses require cash and being able to free up the cash by shortening the working capital cycle is the most inexpensive way to grow.

Sophisticated buyers review closely a target's working capital cycle because it provides them with an idea of the management's effectiveness at managing their balance sheet and generating free cash flow.

Decisions relating to working capital and short term financing are referred to as working capital management. These involve managing the relationship between the firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both the maturing short-term debt and upcoming operational expenses.

A managerial accounting strategy focusing on maintaining efficient levels of both components of working capital, current assets and current liabilities, in respect to each other. Working capital management ensures a company has sufficient cash flow in order to meet its short-term debt obligations and the operating expenses.

### **Decision criteria**

By definition, working capital management entails the short-term decisions—generally, relating to the next one-year period—which are "reversible". These decisions are therefore not taken on the same basis as capital-investment decisions; rather, they will be based on the cash flows or profitability or the both.

One measure of cash flow is provided by the cash conversion cycle—the net number of days from the outlay of cash for raw material to receiving payment from the customer. As a management tool, this metric makes explicit the inter-relatedness of decisions relating to inventories, accounts receivable and payable and cash. Because this number effectively corresponds to the time that the firm's cash is tied up in operations and unavailable for other activities, management generally aims at a low net count.

In this context, the most useful measure of profitability is return on capital (ROC). The result is shown as a percentage, determined by dividing relevant income for the 12 months by capital employed; return on equity (ROE) shows this result for the firm's shareholders. Firm value is enhanced and if the return on capital, which results from working-capital management, exceeds the

cost of capital, which results from capital investment decisions. ROC measures are therefore useful as a management tool, in that they link the short-term policy with long-term decision making.

**Credit policy of the firm:** Another factor affecting the working capital management is credit policy of the firm. It includes buying of raw material and selling of finished goods either in cash or on credit. This affects the cash conversion cycle.

### **Management of working capital**

Guided by the above criteria, management will use a combination of policies and techniques for the management of working capital. The policies aim at managing the current assets and the short term financing, such that cash flows and returns are acceptable.

**Cash management:** Identify the cash balance which allows for the business to meet day to day expenses, but reduces the cash holding costs.

**Inventory management:** Identify the level of inventory which allows for uninterrupted production but reduces the investment in raw materials and minimizes the reordering costs and hence increases the cash flow. Besides this, the lead times in production should be lowered to reduce Work in Process (WIP) and similarly, the Finished Goods should be kept on as low level as possible to avoid over production

**Debtors management:** Identify the appropriate credit policy, i.e. the credit terms which will attract customers, such that any impact on cash flows and the cash conversion cycle will be offset by increased revenue and hence Return on Capital (or vice versa).

**Short term financing:** Identify the appropriate source of financing, given the cash conversion cycle: the inventory is ideally financed by credit granted by the supplier; however, it may be necessary to utilize a bank loan or to "convert debtors to cash" through "factoring".

---

## **3.2 HRM Function of Management: Human Resource Management**

### **Human Resource Management:**

Human resources planning is the process that identifies the current and the future human resources requirement for an organization to achieve its goals.

Human resources planning must serve as a link between the human resources management and the overall strategic plan of an organization.

Aging worker population in most western countries and growing demands for qualified workers in developing economies have underlined the importance of effective Human Resources Planning.

### **Nature of HRM**



HRM is a management function which helps manager's to recruit, select, train and develop the members for an organization. HRM is concerned with people's dimension in organizations.

The following comprises the core of HRM:

1. HRM Involves the Application of Management Functions and Principles. The functions and the principles are applied to acquiring, developing, maintaining and providing pay to employees in the organization.
2. Decision Relating to Employees has to be Integrated. Decisions on different aspects of employees should be consistent with other human resource (HR) decisions.
3. Decisions Made Influence the Effectiveness of an Organization. Effectiveness of an organization will result in betterment of services to customers in the form of high quality products supplied at reasonable costs.
4. HRM Functions are not Confined to the Business Establishments only but applicable to non-business organizations such as health care, education, recreation and like. HRM refers to a set of programmes, functions and activities designed and carried out to maximize both employee as well as organizational effectiveness.

### **Scope of HRM**

The scope of HRM is indeed vast. All the major activities in the working life of a worker from the time of his or her entry into an organization until he or she leaves the organizations comes under the purview of HRM. The major HRM activities include HR planning, job analysis, job design, employee hiring, employee and executive pay, employee motivation, employee maintenance, industrial relations and prospects of HRM.

The scope of Human Resources Management extends to:

- All the decisions, strategies, principles, factors, operations, functions, practices, activities and methods related to the management of people as employees in any type of organization.
- All the dimensions related to the people in their employment relationships and all the dynamics that flow from it.

American Society for Training and Development (ASTD) conducted fairly an exhaustive study in this field and identified nine broad areas of activities of HRM. These are given below:

- Human Resource Planning
- Design of the Organization and Job
- Selection and Staffing
- Training and Development

- Organizational Development
- Compensation and Benefits
- Employee Assistance
- Union/Labour Relations
- Personnel Research and Information System

### **Objectives of HRM**

**1. Societal Objectives:** Seek to ensure that the organization becomes socially responsible to the needs and challenges of the society while minimizing the negative impact of these demands upon the organization.

**2. Organizational Objectives:** It recognizes the role of HRM in bringing about the organizational effectiveness. It makes sure that HRM is not standalone department, but rather a means to teach the organization with its primary objectives.

**3. Functional Objectives:** Is to maintain the department's contribution at a level suitable to the organization's needs.

**4. Personnel Objectives:** It is to assist the employees in achieving their personal goals, at least as far as these goals enhance the individual's contribution to the organization. Personal objectives of employees should be met, if they are to be retained, maintained and motivated. Otherwise the employee performance and satisfaction may decline that give rise to employee turnover.

### **Functions of Human Resource Management**

Human resource management has two function. The first one is managerial function and the second one is staffing function.

#### **• Managerial Function**

- a) Planning
- b) Organizing
- c) Directing
- d) Coordinating
- e) Controlling.

#### **• Staffing/Operating Function**

- a) Acquisition & Absorption
- b) Development & Utilization
- c) Maintenance & Retention
- d) Motivation & Empowerment.

### HR Planning:

The ongoing process of the systematic planning is to achieve the optimum use of an organizations most valuable asset, is their human resources. The objective of human resource (HR) planning is to fortify the best fit between the employees and jobs while avoiding the manpower shortages or surplus.

The three key elements of the HR planning process are forecasting labor demand, analyzing the present labor supply and balancing the projected labor demand and supply.

### Recruitment:

Recruitment is the process of finding and attempting to attract candidates those who are capable of effectively filling the job vacancies. The recruitment process consists of the following steps.



### 3.2.1 Human Resource Development

HRD (Human Resources Development) has been defined by various scholars in various ways. Some of the important definitions of HRD (Human Resources Development) are as follows:

According to **Leonard Nadler**, "Human resource development is a series of organised activities, conducted within a specialised time and designed to produce the behavioural changes."

In the words of **Prof. T.V. Rao**, "HRD is a process by which the employees of an organisation are helped in a continuous and planned way to

- (i) Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles.
- (ii) Develop their journal capabilities as individual and discover and exploit their own inner potential for their own and /or organisational development purposes.
- (iii) Develop an organisational culture in which superior-subordinate relationship, team work and collaboration among sub-units are strong and contribute to the professional well being, motivation and pride of employees." .

According to **M.M. Khan**, "Human resource development is the across of increasing knowledge, capabilities and positive work attitudes of all people working at all levels in a business undertaking."**Concept of Human Resource Development** Human resource development in the organisation context is a process by which the employees of an organisation are helped, in a continuous and planned way to:

- Acquire or sharpen the capabilities required to perform various functions associated with their present or expected future roles.
- Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organisational development purposes.
- Develop an organisational culture in which supervisor-subordinate relationships, teamwork and collaboration among sub-units are strong and contribute to the professional well being, motivation and pride of employees.

This definition of HRD is limited to the organisational context. In the context of a state or nation it would differ. HRD is a process, not merely a set of mechanisms and techniques. The mechanisms and techniques such as counselling, performance appraisal, training and organization development interventions are used to initiate, facilitate, and promote this process in a continuous way. Because the process has no limit, the mechanisms may need to be examined periodically to see whether they are promoting or hindering the process.

Organisations can facilitate this process of development by planning for it, by allocating organisational resources for the purpose, and by exemplifying an HRD philosophy that values human beings and promotes their development.

**Need for HRD** HRD is needed by any organisation that wants to be dynamic and growth-oriented or to succeed in a fast-changing environment. Organisations can become dynamic and grow only through the efforts and competencies of their human resources. Personnel policies can keep the morale and motivation of employees high, but these efforts are not enough to make the organisation dynamic and take it in new directions. Employee capabilities must continuously be acquired, sharpened and used. For this purpose, an “enabling” organisational culture is essential. When employees use their initiative, take risks, innovate, experiment and make things happen, the organisation may be said to have an “enabling” culture. Even an organisation that has reached its limit of growth, needs to adapt to the changing environment. No organisation is immune to the need for processes that help to acquire and increase its capabilities for stability and renewal.

### HRD

### Functions

The core of the concept of HRS is that of development of human beings, or HRD. The concept of development should cover not only the individual but also other units in the organisation. In addition to developing the individual, attention needs to be given to the development of stronger dyads, i.e., two-person groups of the employee and his boss. Such dyads are the basic units of working in the organisation. Besides several groups like committees, task groups, etc. also require attention.

Development of such groups should be from the point of view of increasing collaboration amongst people working in the organisation, thus making for an effective decision-making. Finally, the entire department and the entire organisation also should be covered by development. Their development would involve developing a climate conducive for their effectiveness, developing self-renewing mechanisms in the organisations so that they are able to adjust and pro-act, and developing relevant processes which contribute to their effectiveness. Hence, the goals of the HRD systems are to develop:

- The capabilities of each employee as an individual.
- The capabilities of each individual in relation to his or her present role.
- The capabilities of each employee in relation to his or her expected future role(s).
- The dyadic relationship between each employee and his or her supervisor.
- The team spirit and functioning in every organisational unit (department, group, etc.).
- Collaboration among different units of the organisation.
- The organisation’s overall health and self-renewing capabilities which, in turn, increase the enabling capabilities of individuals, dyads, teams, and the entire organisation.

## **Features of Human Resource development**

The essential features of human resource development can be listed as follows:

- Human resource development is a process in which employees of the organisations are recognized as its human resource. It believes that human resource is most valuable asset of the organisation.
- It stresses on development of human resources of the organisation. It helps the employees of the organisation to develop their general capabilities in relation to their present jobs and expected future role.
- It emphasise on the development and best utilization of the capabilities of individuals in the interest of the employees and organisation.
- It helps is establishing/developing better inter-personal relations. It stresses on developing relationship based on help, trust and confidence.
- It promotes team spirit among employees.
- It tries to develop competencies at the organisation level. It stresses on providing healthy climate for development in the organisation.
- HRD is a system. It has several sub-systems. All these sub-systems are inter-related and interwoven. It stresses on collaboration among all the sub-systems.
- It aims to develop an organisational culture in which there is good senior-subordinate relations, motivation, quality and sense of belonging.
- It tries to develop competence at individual, inter-personal, group and organisational level to meet organisational goal.
- It is an inter-disciplinary concept. It is based on the concepts, ideas and principles of sociology, psychology, economics, etc.
- It form on employee welfare and quality of work life. It tries to examine/identify employee needs and meeting them to the best possible extent.

• It is a continuous and systematic learning process. Development is a life long process, which never ends.

**Benefits of Human Resource Development**  
Human resource development now a days is considered as the key to higher productivity, better relations and greater profitability for any organisation. Appropriate HRD provides unlimited benefits to the concerned organisation. Some of the important benefits are being given here:

- HRD (Human Resource Development) makes people more competent. HRD develops new skill, knowledge and attitude of the people in the concern organisations.

- With appropriate HRD programme, people become more committed to their jobs. People are assessed on the basis of their performance by having a acceptable performance appraisal system.
- An environment of trust and respect can be created with the help of human resource development.
- Acceptability toward change can be created with the help of HRD. Employees found themselves better equipped with problem-solving capabilities.
- It improves the all round growth of the employees. HRD also improves team spirit in the organisation. They become more open in their behaviour. Thus, new values can be generated.
- It also helps to create the efficiency culture In the organisation. It leads to greater organisational effectiveness. Resources are properly utilised and goals are achieved in a better way.
- It improves the participation of worker in the organisation. This improve the role of worker and workers feel a sense of pride and achievement while performing their jobs.
- It also helps to collect useful and objective data on employees programmes and policies which further facilitate better human resource planning.
- Hence, it can be concluded that HRD provides a lot of benefits in every organisation. So, the importance of concept of HRD should be recognised and given a place of eminence, to face the present and future challenges in the organisation.

### **3.2.2 Importance of HRM**

Human Resource Management has a place of great importance. According to Peter F. Drucker, “The proper or improper use of the different factors of production depend on the wishes of the human resources. Hence, besides other resources human resources need more development. Human resources can increase cooperation but it needs proper and efficient management to guide it”.

Importance of personnel management is in reality the importance of labour functions of personnel department which are indispensable to the management activity itself. Because of the following reasons human resource management holds a place of importance.

1. It helps the management in preparation adoption and continuing evolution of personnel programmes and policies.
2. It supplies the skilled workers through scientific selection process.
3. It ensures maximum benefit out of the expenditure on training and development and appreciates the human assets.
4. It prepares workers according to the changing needs of industry and environment.

5. It motivates workers and upgrades them so as to enable them to accomplish the organisation goals.
6. Through innovation and experimentation in the fields of personnel, it helps in reducing the costs and helps in increasing productivity.
7. It contributes a lot in restoring the industrial harmony and healthy employer-employee relations.
8. It establishes mechanism for the administration of personnel services that are delegated to the personnel department.

Thus, the role of human resource management is very important in an organization and it should not be undermined especially in large scale enterprises. It is the key to the whole organization and related to all other activities of the management i.e., marketing, production, finance etc.

Human Resource Management is concerned with the managing people as an organizational resources rather than as factors of production. It involves a system to be followed in business firm to recruit, select, hire, train and develop human assets. It is concerned with the people dimension of an organization. The attainment of organizational objectives depends, to a great extent, on the way in which people are recruited, developed and utilized by the management. Therefore, proper coordination of human efforts and effective utilization of human and others material resources is necessary.

---

### 3.3 Overview of Job Analysis

#### **Job Analysis of New or Revised Jobs**

In every organization of any size, work assignments, the organization structure, job duties and responsibilities are subject to change. New jobs are established and the existing jobs may change either abruptly as a result of re-organization or gradually over time. In such cases, it is necessary to analyze and describe the new or revised jobs in order to assure their proper evaluation.

#### **Request for Job Analysis**

##### **(1) Initiated by the Job Supervisor**

When a new job has been established under the approved organization structure or the duties of an existing job have significantly changed, the supervisor concerned will initiate the "Request for Job Analysis" form and submit it through a proper channels to the Department Head concerned. In this request, the job supervisor will outline the main duties of the new job or the principal revisions.

##### **(2) Reviewed by the Department Head**

The Department Head concerned will review the request, ensure its validity and forward it to the Human Resources Department for the necessary action.



### **Job Analysis Conducted by the Human Resources Department**

Upon receiving an approval request for Job Analysis, the Human Resources Department will ensure that the job conforms to the approved organization chart, conduct the necessary job analysis interview and compile the information on the Job Analysis Form.

#### **Basic Considerations in Job Analysis**

In carrying out the analysis of a job and completing the required form, the following basic aspects must be considered:

- (1) The facts obtained and recorded must refer to the job and not the job incumbent.
- (2) The duties and responsibilities must be for the job, as it exists at present rather than for what the job should be or is thought to be. The minimum requirements must be adequate to support the satisfactory performance of such duties and responsibilities.
- (3) The job facts must, in all cases, be verified to ensure that they are accurate, factual and realistic.
- (4) The duties of each job must be coordinated with the duties of other jobs, above and below, in the organizational unit and with related jobs in other parts of the organization.
- (5) Each duty must be analyzed to ensure that it is essential to the operation of the unit.
- (6) Jobs which are similar in nature and of an equal level of difficulty should be combined, wherever possible, under the same job title to provide uniformity whilst still permitting flexibility in work assignment.
- (7) Where there is more than one incumbent in a job, only one job analysis interview is required.
- (8) Where the job has more than one application, such as Secretary or Clerk, it is advisable to obtain details of the applications in the various units in order to ensure adequate coverage.

#### **Job Analysis Form**

The Job Analysis Form contains necessary instructions which are self-explanatory.

### **3.3.1 Job Description**

The Job Description is necessarily based on the information obtained through the job analysis interview. It is prepared primarily for defining duties and responsibilities and for job evaluation. It is also useful for such purposes as organization analysis, recruitment, employee placement, performance appraisal and training and development.

#### **AUB Policy**

It is AUB's policy that each approved job should be described on the prescribed form and evaluated under the Job Evaluation Plan.

#### **Preparation of Job Descriptions by the Human Resources Department**

Job descriptions will be prepared by the Human Resources Department on the basis of the facts indicated on the Job Analysis Form.

In the case of an existing Job Description requiring revision to certain parts of its content, the revision will be made by the Human Resources Department through an interview conducted with the job supervisor. It is not necessary to complete a Job Analysis Form for such revision.

#### **Review and Approval by Department Management**

Job Descriptions prepared or revised by the Human Resources Department are subject to the review and concurrence of the Section Head and the approval of the Department Head concerned.

#### **General Guidelines**

In compiling a Job Description, the following general aspects must be carefully considered:

##### **(1) Identification**

The Description must be confined to those duties, responsibilities and qualifications specifically relating to the job which distinguish it from other jobs in AUB. This permits a proper comparison of jobs.

##### **(2) Precision**

The Description must be precise and use specific terms. Its statements must be clear and in layman's language, aimed at defining each function fully and showing where the duties of the job end and those of other related jobs begin.

##### **(3) Conciseness**

Descriptions may vary in length depending upon the content and requirements of the job, but emphasis should be placed on brevity, conciseness and the elimination of tedious details.

#### **(4) Organization**

The information contained in the Job Description must be organized and presented in a logical sequence. Related tasks should be grouped under one function. It is always advisable to describe the full cycle of tasks involved in each function.

#### **(5) Coordination**

Each job is a part of the organizational structure. Its duties, responsibilities and minimum requirements are related to other jobs in AUB. Accordingly, the Job Description must be prepared, not in isolation, but in close coordination with the other jobs in the organization.

#### **(6) Standardization**

Each job must be described in a uniform manner and presented on the Job Description Form. The style and terminology used in each Job Description should conform to an established pattern or standard, wherever possible.

### **Job Description Form**

Job Descriptions must be compiled according to a standard format.

#### **Basic Considerations**

In the preparation of a Job Description, it is necessary to observe certain basic guidelines that ensure the adequacy of the described information in a way which will permit its proper evaluation.

These are presented below in the order of the heading appearing on the Job Description Form:

#### **(1) Basic Function**

This is a brief statement of the purpose of the job as a whole in order to distinguish it from other jobs in AUB. This should be followed by a general description of the scope or range of activities and the responsibilities assigned on the job.

To ensure adequate coverage, it is advisable to prepare the Basic Function after all the other parts of the Job Description have been written.

#### **(2) Duties Performed**

a) Select the main duties and responsibilities of the job. These are normally grouped under seven to ten headings.

- b) Describe the main duties of the job in a specific and concise manner indicating WHAT work is done, HOW it is done and WHY it is done, unless these details are self-evident. Examples can be most helpful in clearly describing the work activity, and can be inserted into descriptions of duties by using statements like “such as” or “e.g.”.
- c) The duties and responsibilities should be listed in a logical sequence. For example, they may be listed in the exact order of performance following through a complete work cycle, or in order of importance from the highest to the lowest. The lesser duties should be kept to a minimum, as jobs will be rated primarily on the main functions.
- d) Indicate briefly the scope and importance of each duty by giving details of the number of personnel, geographical area, size or value of plant, volume of throughput, financial values, etc... involved in each function. Describe what impact the job has on the activities of the unit or AUB as a whole.
- e) All paragraphs should begin with action verbs, such as “Operates”, “Recommends”, “Plans”, “Schedules”, or “Advises”, etc. This helps to keep the Job Descriptions brief and emphasizes the nature of the activities of each job.
- f) Clarity and accuracy are essential. Quantitative, specific words should be used, rather than vague, general words. For example, the words “assists”, “handles”, “responsible for” are not in themselves sufficient to indicate the nature and extent of the job function and must consequently be qualified to show the specific action involved.
- g) Specify for each duty where the incumbent’s responsibility ends and that of the supervisor begins. What decisions does the incumbent make without referring upwards? Note that some jobs in different grades have very similar functions but different levels of responsibility for the work, and also perhaps a different scope, e.g. Accountant I and Accountant II.

### **(3) Work Contacts**

State the principal contacts involved in the job together with the individuals and units outside the immediate work unit. The statement must be specific in terms of the job titles and units contacted by the job. In addition, it must include the nature, frequency and means as well as the purpose and importance of such contacts (e.g. whether for exchange of information, discussion, giving or obtaining advice or negotiation). Does the job represent the Section, the Department, or AUB?

### **(4) Independence of Operation**

Describe briefly the degree of latitude for independent action relating to the job as a whole and the impact of the actions, decisions and recommendations on AUB’s operations and/or relations. This should cover:

#### **A) Latitude**

The nature of instructions, procedures, standards and/or objectives to be followed, the extent of supervision received (e.g. whether the work is fully checked, spot-checked or generally reviewed, etc.), the nature of the matters referred upwards for action or a decision.

### **b) Impact**

The potential effect the incumbent's actions may have on AUB's money, facilities, equipment, materials, operations or relations.

#### **(4a) Responsibility for Safety**

Indicate the level and nature of such responsibility and the likely effect of the jobholder's actions on the safety of others (patients, workmates and subordinates).

#### **(5) Supervisory Responsibility & Work Direction**

List the titles of the jobs immediately supervised, indicating the approximate number of personnel in such jobs. Also state the total number of AUB personnel supervised by each both directly and through subordinate levels of supervision, based on the authorized manpower for the organization.

Where no supervision is exercised but the incumbent is required to provide work direction and be responsible for controlling the quantity and quality of the work of others, this must be stated and the job titles thus controlled, specified. This includes both work direction provided to other AUB personnel and monitoring of the work of contractors' personnel.

#### **(6) Physical Effort**

State briefly the nature or intensity of physical effort required by the job, as well as the duration of such effort. Indicate the duration of each effort as a percentage of the daily work period.

#### **(7) Work Conditions**

Describe the degree of exposure to agreeable or disagreeable work conditions, specifying the intensity of such conditions and the duration of percentage of the daily work period.

#### **(8) Minimum Requirements**

Specify the minimum level of education, training and qualifications required to enable a normal incumbent to perform the job satisfactorily. Lebanese standards of education and qualifications should be stated.

Required related experience must also be indicated, specifying the field of work and the minimum number of years in such work.

Wherever alternatives to higher-level qualifications are acceptable, i.e. a lower level academic qualification with more years of experience, these may also be shown on the Job Description Form.

### **(9) Subsequent Review and Revision**

It is recognized that job contents are constantly changing. In order to fulfill their purpose in the job evaluation process, Job Descriptions must be reviewed and updated periodically and/or when changes occur.

### **(10) Approval of Job Descriptions**

Completed Job Descriptions must be reviewed by the Job Supervisor or Section Head concerned, and approved by the Department Head.

### **3.3.2 Job Specification**

Job specification tells us, what kind of person to recruit and also under what qualities that person should be tested. Job Specification translates the job description into terms of the human qualifications, which are required for performance of a job. They are intended to serve as a guide in hiring and job evaluation.

Job specification is a written statement of qualifications, traits, physical and mental characteristics that an individual must possess to perform the job duties and discharge responsibilities effectively. In this, job specification is usually developed with the co-operation of personnel department and various supervisors in the whole organization.

#### **Job Specification Information:**

The first step in the programme of job specification is to prepare a list of all jobs in the company and where they are located. The second step is to secure and write up information about each of the jobs in a company. Usually, this information about each of the jobs in a company. Usually this information includes:

- 1. Physical specifications:** Physical specifications include the physical qualifications or physical capacities that vary from job to job. Physical qualifications or capacities
2. Include physical features like height, weight, vision, chest, hearing, ability to lift weight, ability to carry weight, age, health, capacity to use or operate machines, tools, equipment, etc.
- 3. Mental specifications:** Mental specifications include ability to perform, arithmetical calculations, to interpret data, to read electrical circuits, information blue prints, ability to plan, reading abilities, judgment, scientific abilities, ability to concentrate, ability to handle variable factors, general intelligence, memory etc.
- 4. Emotional and social specifications:** Emotional and social specifications are more important for the post of managers, foremen, supervisors, etc. These include emotional stability, flexibility, social adaptability in human relationships, personal appearance including dress, posture, etc.

**5. Behavioral Specifications:** Behavioral specifications play an important role in selecting the candidates for higher-level jobs in the organizational hierarchy. This specification seeks to describe the acts of managers rather than the traits that cause the acts. These specifications include creativity, judgments, research, maturity trial of conciliation, teaching ability, self-reliance, dominance, etc.

**Uses of job specification:**

- Physical characteristics, which include health, strength, age range, body size, weight, vision, poise, etc.
- Psychological characteristics or special aptitudes: This include such qualities as manual dexterity, mechanical aptitude, judgment, ingenuity, etc.
- Personal characteristics or fruits of temperament – such as personal appearance, emotional stability, good and pleasing manners, aggressiveness or submissiveness.
- Responsibilities: Which include supervision of others, responsibility for production, process and equipment, responsibility for the safety of others and responsibility for preventing monetary loss.
- Other features of a demographic nature: Which are age, sex, education, experience and language ability.
- Job specifications are mostly based on the educated gneisses of supervisors and personnel managers. They give their opinion as to who do they think should be considered for a job in terms of education, intelligence, training, etc.
- Job specifications may also be based on statistical analysis. This is done to determine the relationship between:
  1. Some characteristics or traits.
  2. Some performance as rated by the supervisor.

### 3.3.3 Labour Turnover

Labour turnover is the movement of people out of the organization. It is usually convenient to measure it by recording movements out of the firms on the assumption that a leave is eventually replaced by a new employee. The term separation is used to denote an employee who leaves for any reasons; labour turnover is the rate of change in number of employees of a concern during a definite period.

#### Causes

##### Avoidable

- Dissatisfaction with wage and rewards.
- Dissatisfaction with working conditions.
- Dissatisfaction with personnel policies.
- Dissatisfaction with the job.
- Other related factors.

##### Unavoidable

- Personal betterment
- Family circumstance
- Climatic condition
- Health condition
- Community condition
- Marriage (specially for women)
- Retirement and death.

#### Effects

- Interruption in the continuous process of production with result that overall production is reduced.
- New workers take time to become efficient. Hence, the lower efficiency workers increase the cost of production.



- Selection and training cost of new workers recruited to replace the workers who have left increase the cost of production.
- Cause more depreciation of tools and machinery.
- More scrap, rejects and defectives which increases the cost of productions.
- Accident may also happen very often and hamper the production process & organizational harmony.

### **Measurement of labour turn over**

Separation Method =  $\text{Number of workers left during a period} * 100 / \text{Average number of workers on roll during that period.}$

Flux Method =  $\text{Number of workers separated} + \text{Number of workers added during a period} * 100 / \text{Average number of workers on roll during that period.}$

Replacement Method =  $\text{Number of workers replaced during a period} * 100 / \text{Average number of workers on roll during that period.}$

### **Cost of labour turn over**

- Inefficiency of new worker
- Training and induction
- Employment department
- Accident frequency and severity
- Cost of tools and machine breakage
- Cost of scrap and defective work.

### **HR solution on Labour turnover**

- Pay problem
- Employee leaving due to conflict
- Employee leaving to further their career
- The induction crisis
- Joint control
- Adequate statistical control

- Use of exit interview
- Workers participation.

### **Labour Turnover Scenario in India**

- At all India level, 60.08 percent of the factories reported Labour Turnover in their establishments.
- At all India level, the rate of accession during the year 2002 was recorded as 19.20 percent as against 19.27 percent during the previous year.
- Whereas, the overall separation rate was reported as 18.24 percent as against 19.18 percent in 2001.

---

## **3.4 Manpower Planning**

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. Human Resource Planning has got an important place in the arena of industrialization. Human Resource Planning has to be a systems approach and is carried out in a set procedure. The procedure is as follows:

1. Analysing the current manpower inventory
2. Making future manpower forecasts
3. Developing employment programmes
4. Design training programmes.

### **Steps in Manpower Planning**

**Analyzing the current manpower inventory-**Before a manager makes forecast of future manpower, the current manpower status has to be analyzed. For this the following things have to be noted:

- Type of organization
- Number of departments
- Number and quantity of such departments
- Employees in these work units

Once these factors are registered by a manager, he goes for the future forecasting.

**Making future manpower forecasts-** Once the factors affecting the future manpower forecasts are known, planning can be done for the future manpower requirements in several work units.

The Manpower forecasting techniques commonly employed by the organizations are as follows:

- 1. Expert Forecasts:** This includes informal decisions, formal expert surveys and Delphi technique.
- 2. Trend Analysis:** Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis), and statistical analysis (central tendency measure).
- 3. Work Load Analysis:** It is dependent upon the nature of work load in a department, in a branch or in a division.
- 4. Work Force Analysis:** Whenever production and time period has to be analyzed, due allowances have to be made for getting net manpower requirements.
- 5. Other methods:** Several Mathematical models, with the aid of computers are used to forecast manpower needs, like budget and planning analysis, regression, new venture analysis.

**Developing employment programmes-** Once the current inventory is compared with future forecasts, the employment programmes can be framed and developed accordingly, which will include recruitment, selection procedures and placement plans.

**Design training programmes-** These will be based upon extent of diversification, expansion plans, development programmes, etc. Training programmes depend upon the extent of improvement in technology and advancement to take place. It is also done to improve upon the skills, capabilities, knowledge of the workers.

### **Importance of Manpower Planning**

**Key to managerial functions-** The four managerial functions, i.e., planning, organizing, directing and controlling are based upon the manpower. Human resources help in the implementation of all these managerial activities. Therefore, staffing becomes a key to all managerial functions.

**Efficient utilization-** Efficient management of personnels becomes an important function in the industrialization world of today. Setting of large scale enterprises require management of large scale manpower. It can be effectively done through staffing function.

**Motivation-** Staffing function not only includes putting right men on right job, but it also comprises of motivational programmes, i.e., incentive plans to be framed for further participation and employment of employees in a concern. Therefore, all types of incentive plans becomes an integral part of staffing function.

**Better human relations-** A concern can stabilize itself if human relations develop and are strong. Human relations become strong through effective control, clear communication, effective supervision and leadership in a concern. Staffing function also looks after training and development of the work force which leads to co-operation and better human relations.

**Higher productivity-** Productivity level increases when resources are utilized in best possible manner. Higher productivity is a result of minimum wastage of time, money, efforts and energies. This is possible through the staffing and its related activities ( Performance appraisal, training and development, remuneration)

### **Need of Manpower Planning**

Manpower Planning is a two-phased process because the manpower planning not only analyses the current human resources but also makes manpower forecasts and thereby draw employment programmes. Manpower Planning is advantageous to firm in following manner:

1. Shortages and surpluses can be identified so that quick action can be taken wherever required.
2. All the recruitment and selection programmes are based on manpower planning.
3. It also helps to reduce the labour cost as excess staff can be identified and thereby overstaffing can be avoided.
4. It also helps to identify the available talents in a concern and accordingly training programmes can be chalked out to develop those talents.
5. It helps in growth and diversification of business. Through manpower planning, human resources can be readily available and they can be utilized in best manner.
6. It helps the organization to realize the importance of manpower management which ultimately helps in the stability of a concern.

### **Obstacles in Manpower Planning**

Following are the main obstacles that organizations face in the process of manpower planning:

**Under Utilization of Manpower:** The biggest obstacle in case of manpower planning is the fact that the industries in general are not making optimum use of their manpower and once manpower planning begins, it encounters heavy odds in stepping up the utilization.

**Degree of Absenteeism:** Absenteeism is quite high and has been increasing since last few years.

**Lack of Education and Skilled Labour:** The extent of illiteracy and the slow pace of development of the skilled categories account for low productivity in employees. Low productivity has implications for manpower planning.

### **Manpower Control and Review:**

- Any increase in manpower is considered at the top level of management
- On the basis of manpower plans, personnel budgets are prepared. These act as control mechanisms to keep the manpower under certain broadly defined limits.

- The productivity of any organization is usually calculated using the formula:

**Productivity = Output / Input**

But a rough index of employee productivity is calculated as follows:

**Employee Productivity = Total Production / Total no. of employees**

- Exit Interviews, the rate of turnover and rate of absenteeism are source of vital information on the satisfaction level of manpower. For conservation of Human Resources and better utilization of men studying these condition, manpower control would have to take into account the data to make meaningful analysis.
- Extent of Overtime: The amount of overtime paid may be due to real shortage of men, ineffective management or improper utilization of manpower. Manpower control would require a careful study of overtime statistics.

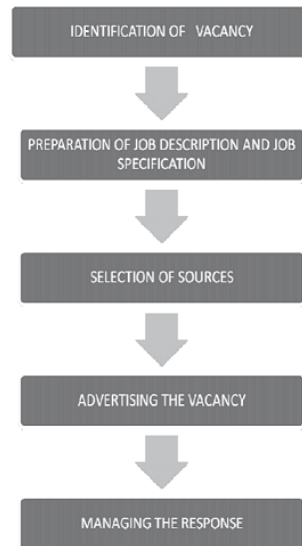
Few Organizations do not have sufficient records and information on manpower. Several of those who have them do not have a proper retrieval system. There are complications in resolving the issues in design, definition and creation of computerized personnel information system for effective manpower planning and utilization. Even the existing technologies in this respect is not optimally used. This is a strategic disadvantage.

### **3.4.1 Recruitment-Selection-Induction-Training and Development Placement**

#### **RECRUITMENT PROCESS**

Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies. The recruitment process consists of the following steps

- Identification of vacancy
- Preparation of job description and job specification
- Selection of sources
- Advertising the vacancy
- Managing the response.



### Steps in recruitment

#### a) Identification of vacancy:

The recruitment process begins with the human resource department receiving requisitions for recruitment from any department of the company. These contain:

- Posts to be filled
- Number of persons
- Duties to be performed
- Qualifications required

#### b) Preparation of job description and job specification:

A job description is a list of the general tasks, or functions, and responsibilities of a position. It may often include to whom the position reports, the specifications such as the qualifications or skills needed by the person in the job, or a salary range. A job specification describes the knowledge, skills, education, experience and abilities we believe are essential to performing a particular job.

#### c) Selection of sources:

Every organization has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources. The sources within the organization itself to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources are known as the external sources of the recruitment.

#### d) Advertising the vacancy:

After choosing the appropriate sources, the vacancy is communicated to the candidates by means of the suitable media such as television, internet, radio, newspaper, direct mail etc.

#### e) Managing the response:

After receiving an adequate number of responses from job seekers, the sieving process of the resumes begins. This is a very essential step of the recruitment selection process, because selecting the correct resumes that match the job profile, is very important.

Naturally, it has to be done rather competently by a person who understands all the responsibilities associated with the designation in its entirety. Candidates with the given skill set are then chosen and further called for the interview. Also, the applications of candidates that do not match the present nature of the position but may be considered for future requirements are filed separately and preserved.

The recruitment process is immediately followed by the selection process.

#### Selection Process

Selecting a suitable candidate is the biggest challenge for any organization. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.



#### Steps in Selection Process

Though there is no fool proof selection procedure that will ensure low turnover and high profits, the following steps generally make up the selection process.

#### a) Initial Screening:

This is generally the starting point of any employee selection process. Initial Screening eliminates unqualified applicants and helps save time.

Applications received from various sources are scrutinized and irrelevant ones are discarded.

**b) Preliminary Interview:**

It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization.

The skills, academic and family background, competencies and the interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews.

The candidates are given a brief up about the company and the job profile and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.

**c) Filling Application Form:**

An candidate who passes the preliminary interview is found to be eligible for the job is asked to fill in the formal application form. Such form is designed in a way that it records the personal as well as the professional details of the candidates such as age, qualifications, reason for leaving previous job, experience, etc.

**d) Personal Interview:**

Most employers believe that the personal interview is very important. It helps them in obtaining more information about the prospective employee.

It also helps them in interacting with the candidate and judging his communication abilities, his ease of handling the pressure etc. In some companies, the selection process comprises only of the Interview.

**e) References check:**

Most application forms include a section that requires prospective candidates to put down names of a few references. References can be classified into - business references, former employer, former customers, reputable persons. Such references are contacted to get a feedback on the person in question including his behaviour, skills, conduct etc.

**f) Background Verification:**

A background check is a review of a persons commercial, criminal and financial records.



Employers often perform background checks on candidates for employment to confirm information given in a job application, verify a person's identity or ensure that the individual does not have a history of criminal activity etc., that could be an issue upon employment.

**g) Final Interview:**

Final interview is a process in which a potential employee is evaluated by an employer for prospective employment in their organization. During this process, the employer determines whether or not the applicant is suitable for the job.

Different types of tests are conducted to evaluate the capabilities of an applicant, his behaviour, special qualities etc. Separate tests are conducted for various types of jobs.

**h) Physical Examination:**

If all goes well, then at this stage, a physical examination is conducted to make sure that the candidate has sound health and does not suffer from any serious ailment.

**i) Job Offer:**

A candidate who clears all the steps is finally considered as right for a particular job and is presented with the job offer. An applicant can be dropped at any given stage if considered unfit for the job.

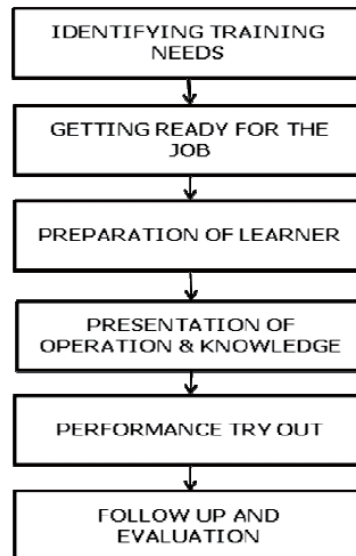
## **TRAINING**

Training is a process of learning a sequence of programmed behaviour. It improves the employee's performance on the current job and prepares them for an intended job.

**Purpose of Training:**

- 1) Personal Growth: Training gives employees a wider awareness, an enlarged skill base and that leads to enhanced personal growth.
- 2) To increase the Health and Safety: Proper training prevents industrial accidents.
- 3) To improve the Productivity: Training leads to increased operational productivity and increased company profit.
- 4) To improve the Quality: Better trained workers are less likely to make operational mistakes.
- 5) To improve the Organizational Climate: Training leads to improved production and product quality which enhances financial incentives. This in turn increases the overall morale of the organization.

**Steps in Training Process**



### Steps in Training Process

- Identifying Training needs: A training program is designed to assist in providing solutions for specific operational problems or to improve performance of a trainee.
- Organizational determination and Analysis: Allocation of resources that relate to organizational goal.
- Operational Analysis: Determination of the specific employee behaviour required for a particular task.
- Man Analysis: Knowledge, attitude and skill one must possess for attainment of organizational objectives.

2) Getting ready for the job: The trainer has to be prepared for the job and also who needs to be trained - the newcomer or the existing employee or the supervisory staff.

#### Preparation of the learner:

- Putting the learner at ease.
- Stating the importance and ingredients of the job.
- Creating the interest.
- Placing the learner as close to his normal working position.
- Familiarizing him with the equipment, materials and trade terms.

- 3) **Presentation of Operation and Knowledge:** The trainer should clearly tell, show, illustrate and question to convey the new knowledge and the operations. The trainee should be encouraged to ask questions in order to indicate that he really knows and understands the job.
- 4) **Performance Try out:** The trainee is asked to go through the job several times. This gradually builds up his skill, speed and confidence.
- 5) **Follow-up:** This evaluates the effectiveness of the entire training effort.

## **TRAINING METHODS**

Training methods can be broadly classified as on-the-job training and off-the-job training.

### **a) On-the-job training:**

On the job training occurs when workers pick up skills whilst working along side experienced workers at their place of work. For example this could be the actual assembly line or offices where the employee works.

New workers may simply “shadow” or observe fellow employees to begin with and are often given instruction manuals or interactive training programs to work through.

### **b) Off-the-job training:**

This occurs when the workers are taken away from their place of work to be trained. This may take place at training agency or local college, although many larger firms also have their own training centres. Training can take the form of lectures or self-study and can be used to develop more general skills and knowledge that can be used in a variety of situations.

#### **The various types of off-the-job training are:**

- (i) Instructor presentation:** The trainer orally presents new information to the trainees usually through lecture. Instructor presentation may include classroom lecture, seminar, workshop and the like.
- (ii) Group discussion:** The trainer leads the group of trainees in discussing a topic.
- (iii) Demonstration:** The trainer shows the correct steps for completing a task or shows an example of a correctly completed task.
- (iv) Assigned reading:** The trainer gives the trainees, the assignments that provide new information.
- (v) Exercise:** The trainer assigns problems to be solved either on paper or in real situations related to the topic of the training activity.
- (vi) Case study:** The trainer gives the trainees information about a situation and directs them to come to a decision or solve a problem concerning the situation.

**(vii) Role play:** Trainees act out a real-life situation in an instructional setting.

**(viii) Field visit and study tour:** Trainees are given the opportunity to observe and to interact with the problem being solved or skill being learned.

### **Career Development:**

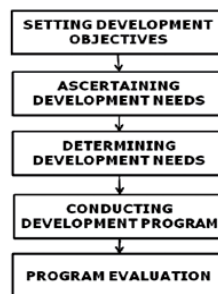
It is not only improves job performance but also brings about the growth of the personality.

Purpose of development management attempts to improve managerial performance by imparting the following:

- Knowledge.
- Changing attitudes.
- Increasing skills.

The major objective of development is managerial effectiveness through a planned and a deliberate process of learning. This provides for a planned growth of managers to meet the future organizational needs.

### **Development Process:**



### **Steps in Development Process**

The development process consists of the following steps:

#### **1. Setting Development Objectives:**

It develops a framework from which executive needs can be determined.

#### **2. Ascertaining Development Needs:**

It aims at organizational planning & forecast the present and future growth.

#### **3. Determining Development Needs:**

This consists of appraisal of present management talent, management Manpower Inventory .

The above two processes will determine the skill deficiencies that are relative to the future needs of the organization.

#### **4. Conducting Development Programs:**

It is carried out on the basis of needs of different individuals, differences in their attitudes and behavior, also their physical, intellectual and emotional qualities. Thus a comprehensive and well conceived program is prepared depending on the organizational needs and the time & cost involved.

#### **5. Program Evaluation:**

It is an attempt to assess the value of training in order to achieve the organizational objectives.

### 3.4.2 Wage and Salary Administration

Wage salary administration is essentially the application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner and the terms used are Wage, Salary, Earnings, Nominal Wage, Real Wage, Take Home salary, Minimum Wage, Statutory Minimum Wage, The Need-based Minimum Wage, The Living Wage, The Fair Wages, Incentive Wage, Wage Rate, Standard Wage Rate

Indian Labour Organization (ILO) defined the term wage as "the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees Salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis Minimum Wage is the amount of remuneration which could meet the "normal needs of the average employee regarded as a human being living in a civilised society" Statutory Minimum Wage is the amount of remuneration fixed according to the provisions of the Minimum Wages Act. 1948

The Need-based Minimum Wage is the amount of remuneration fixed on the basis of norms accepted at the 15th session of the Indian Labour Conference held at New Delhi in July 1957 The Conference recommended that minimum wages should ensure the minimum human needs of industrial workers, minimum food requirements should be calculated on the basis of a set in activity, clothing requirements should be estimated on the basis of per capita consumption of 18 yards per annum which would give for the average worker's family of four a total of 72 yards amongst other recommendations

#### Need for Sound Salary Administration

Most of the employees' satisfaction and work performance are based on pay Internal inequalities in pay are more serious to certain employees Employees act only to gross external inequities Employee comparisons of pay are uninfluenced by levels of aspirations and pay history Employees compare their pay with that of others

#### Objective of Wage And Salary Administration

To Acquire Qualified Competent Personnel - To Retain the Present Employees = To Secure Internal and External Equity m To Ensure Desired Behaviour - To Keep Labour and Administrative costs in line with the ability of the organization to pay To Facilitate Pay Roll To Simplify Collective Bargaining procedures and negotiations To Promote Organization feasibility

#### Factors Affecting Wage/Salary Levels

- Remuneration in Comparable Industries
- Firm's ability to pay
- Relating to price index Productivity

- Cost of living
- Union pressure and strategies r Government legislations.

### **Wage Boards and Pay Commissions**

Wage policies are formulated by the following institutions in India:

- Collective Bargaining and Adjudication
- Wage Boards
- Pay Commissions

### **Wage Incentives**

To increase a worker's earnings without dragging the firm into a higher wage rate structure regardless of productivity.

To use wage incentives as a useful tool for securing a better utilization of manpower.

### **Objectives of Wage Incentive Schemes**

- To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.
- To increase a worker's earnings without dragging the firm into a higher wage rate structure regardless of productivity.
- To avoid or minimise additional capital investment for the expansion of production capacity.
- To use wage incentives as a useful tool for securing a better utilization of manpower, better production scheduling and performance control, and a more effective personnel policy.

### **Merits of Wage Incentive Schemes**

- The need for supervision is reduced for the employees.
- They are accepted as sound technique for the achievement of greater production.
- The experience gained in India and elsewhere indicates that wage incentives have resulted in gains in productivity. "In a majority cases, the existence of payment by results was related to increased output, higher earnings and lower costs" .

### **Demerits of Wage Incentive Schemes**

The experience with the working of incentives in the highly industrialized countries of the West is not quite happy. They have a dubious value for increase in output.

A sound and effective administration of incentive schemes would depend upon an understanding of the problems of human relations as well as those of engineering.

### **3.4.3 Performance Appraisal**

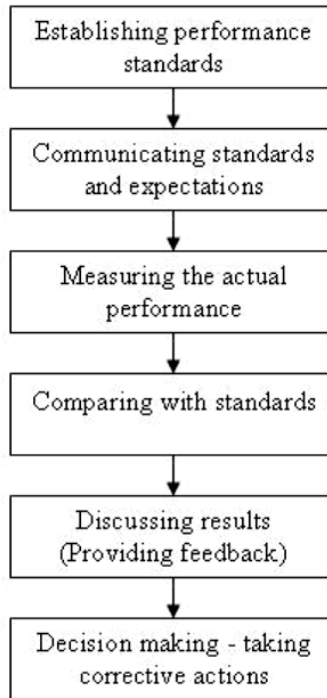
Performance appraisal is the process of analyzing, obtaining and recording the information about relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does.

#### **Objectives of Performance appraisal:**

- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- To review the performance of the employees over a given period of time.
- To reduce the grievances of the employees.
- To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- To provide feedback to the employees regarding their past performance.
- Provide the information to assist in the other personal decisions in the organization.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.

#### **Process of performance appraisal:**





### Steps in performance appraisal

#### a) Establishing performance standards:

The first step in the process of performance appraisal is, setting up of the standards which will be used as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and the objectives. The standards set should be clear, easily understandable and in measurable terms.

In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

#### b) Communicating the standards:

After establishing the standards, it is the responsibility of the management to communicate the standards to all the employees of the organization.

The employees should be informed and the standards should be clearly explained. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

#### c) Measuring the actual performance:

The most difficult part of the performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is the continuous process which involves monitoring of the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

**d) Comparing the actual with the desired performance:**

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes evaluating, recalling and analysis of data related to the employees' performance.

**e) Discussing results:**

The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. Hence the results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

**f) Decision making:**

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions or the related HR decisions like promotions, rewards, demotions, transfers, etc.

### **3.4.4 Grievance Handling**

Every employee has certain expectations which he thinks must be fulfilled by the organisation he is working for. When the organization fails to do this, he develops a feeling of discontent or dissatisfaction. When an employee feels that something is unfair in the organization, he is said to have a grievance. According to Jucius, a grievance is "any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust or inequitable."

#### **Features**

If we analyze this definition, some noticeable features emerge clearly:

- i. A grievance refers to any form of discontent or dissatisfaction with any aspect of the organization.

- ii. The dissatisfaction must arise out of employment and not due to personal or family problems.
- iii. The discontent can arise out of real or imaginary reasons. When the employee feels that injustice has been done to him, he has a grievance. The reasons for such a feeling may be valid or invalid, legitimate or irrational, justifiable or ridiculous.
- iv. The discontent may be voiced or unvoiced. But it must find expression in some form. However, discontent per se is not a grievance. Initially, the employee may complain orally or in writing. If this is not looked into promptly, the employee feels a sense of lack of justice. Now the discontent grows and takes the shape of a grievance.
- v. Broadly speaking, thus, a grievance is traceable to perceived non-fulfillment of one's expectations from the organization.

### **Forms of Grievances**

A grievance may take any one of the following forms:

#### **(a) Factual**

#### **(b) Imaginary**

#### **(c) Disguised**

#### **(a) Factual**

A factual grievance arises when legitimate needs of employees remain unfulfilled, e.g., wage hike has been agreed but not implemented citing various reasons.

#### **(b) Imaginary**

When an employee's dissatisfaction is not because of any valid reason but because of a wrong perception, wrong attitude or wrong information he has. Such a situation may create an imaginary grievance. Though management is not at fault in such instances, still it has to clear the 'fog' immediately.

#### **(c) Disguised**

An employee may have dissatisfaction for reasons that are unknown to himself. If he/ she is under pressure from family, friends, neighbours, relatives, he/she may reach the work spot with a heavy heart. If a new recruit gets a new table and almira, this may become an eyesore to other employees who have not been treated likewise previously

### **Causes**

Grievances may occur for a number of reasons:

**Economic**

Wage fixation, overtime, bonus, wage revision, etc. Employees may feel that they are paid less when compared to others.

**Work environment**

Poor physical conditions of workplace, tight production norms, defective tools and equipment, poor quality of materials, unfair rules, lack of recognition, etc.

**Supervision**

Relates to the attitudes of the supervisor towards the employee such as perceived notions of bias, favoritism, nepotism, caste affiliations, regional feelings, etc.

**Work group**

Employee is unable to adjust with his colleagues; suffers from feelings of neglect, victimisation and becomes an object of ridicule and humiliation, etc.

**Miscellaneous**

These include issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave, medical facilities, etc.

**Advantages of Having a Grievance Handling Procedure**

The following are some of the distinct advantages of having a grievance handling procedure:

- i. The management can know the employees' feelings and opinions about the company's policies and practices. It can feel the 'pulse' of the employees.
- ii. With the existence of a grievance handling procedure, the employee gets a chance to ventilate his feelings. He can let off steam through an official channel. Certain problems of workers cannot be solved by first line supervisors, for these supervisors lack the expertise that the top management has, by virtue of their professional knowledge and experience.
- iii. It keeps a check on the supervisor's attitude and behaviour towards their subordinates. They are compelled to listen to subordinates patiently and sympathetically.
- iv. The morale of the employees will be high with the existence of proper grievance handling procedure. Employees can get their grievances redressed in a just manner.

**Guidelines for Handling Grievances**

The following guidelines may help a supervisor while dealing with grievances. He need not follow all these steps in every case. It is sufficient to keep these views in mind while handling grievances (W. Baer, 1970).

- i. Treat each case as important and get the grievance in writing.
- ii. Talk to the employee directly. Encourage him to speak the truth. Give him a patient hearing.
- iii. Discuss in a private place. Ensure confidentiality, if necessary.
- iv. Handle each case within a time frame.
- v. Examine company provisions in each case. Identify violations, if any. Do not hold back the remedy if the company is wrong. Inform your superior about all grievances.
- vi. Get all relevant facts about the grievance. Examine the personal record of the aggrieved worker. See whether any witnesses are available. Visit the work area. The idea is to find where things have gone wrong and who is at fault.
- vii. Gather information from the union representative, what he has to say, what he wants, etc. Give short replies, uncovering the truth as well as provisions. Treat him properly.
- viii. Control your emotions, your remarks and behaviour.
- ix. Maintain proper records and follow up the action taken in each case.
- x. Be proactive, if possible. Companies like VSP, NALCO actually invite workers to ventilate their grievances freely, listen to the other side patiently, explain the reasons why the problems arose and redress the grievances promptly.

### 3.4.5 Welfare Aspects

#### Employee (Labour) Welfare

- Welfare refers to the physical, mental, emotional, and spiritual well-being of the individual.
- Labour (employee) Welfare relates to taking care of the well-being of the employees and workers by the employers, trade unions, and governmental and non-governmental agencies.

The ILO at its Asian Regional Conference, defined Labour Welfare as a term which is understood to include such services, facilities and amenities as may be established in or in the vicinity of undertakings, to enable the persons employed in them to perform their work in the healthy and congenial place so as to provide them with amenities conducive to good health and high morale.

#### Welfare Measures Inside the Work Place:

##### 1) CONDITIONS OF THE WORK ENVIRONMENT :

- Neighbourhood safety and cleanliness.
- Housekeeping — and upkeep of premises.
- Workshop hall, sanitation and cleanliness; temperature, humidity, ventilation, lighting, elimination of dust, fumes, gases and smoke.
- Control and treatment of effluents.
- Convenience and comfort during work, posture, seating arrangements.
- Distribution of work hours and provision for rest hours, meals times and breaks.
- Workmen's safety measures, that is, maintenance of machines and tools, fencing of machines, providing guards, and personal protective equipment like, helmets, goggles, aprons, first aid boxes, safety shoes, firefighting equipment.
- Supply of necessary beverages like tea, coffee etc. and supply of limited medicines.
- Provision of notice boards, posters, pictures, slogan, information/circulars for communications.

##### 2) CONVENIENCE :

- Toilets With all facilities.
- Waste paper baskets.

- Provision of drinking water, coolers.
- Canteen services : full meals, snacks, mobile canteen.
- Cloak rooms, rest rooms, reading room and library.

### **3) WORKERS' HEALTH SERVICES :**

- Health center of the factory, dispensary, ambulance, emergency aids, medical examination, health education, health research, family planning services.

### **4) WOMEN AND CHILD WELFARE :**

• Women's general education and separate facilities for women workers like lunch rooms, toilets, recreation room etc.

### **5) WORKERS' RECREATION :**

- Indoor games
- Sports club / activities
- Drivers' rest room.

### **6) ECONOMIC SERVICES :**

- Cooperative Societies : loans, housing, daughter's wedding etc.
- Unemployment and health insurance
- Transport services
- Cooperative stores
- Retirement benefits
- Provident fund, gratuity, pension
- Worker's compensation for injury Family assistance in times of need.

### **7) EMPLOYMENT FOLLOW-UP :**

- Progress of the worker in work performance
- Adjustment problems relating to machines, work load, supervisors and colleagues, industrial counselling.

### **8) WORKERS' EDUCATION COURSES :**

- Reading room / library
- Adult education

### **9) LABOUR MANAGEMENT PARTICIPATION :**

- Serving on various committees
- Research bureau.

### **WELFARE MEASURES OUTSIDE THE WORK PLACE**

- Housing - Water, sanitation, waste disposal
- Roads, lighting, parks, recreation, playgrounds
- Schools and colleges - Markets, cooperatives, consumer and credit societies
- Banks - Transportation
- Police out posts
- Post Office
- Stadium, swimming pool, gymnasium
- Community leadership development
- Family sports, health and cultural programmes
- Village adoption and community development
- AIDS/HIV counseling and treatment.

### **Statutory and Non-Statutory**

Welfare activities are also specified by laws like the Factories Act, 1948, The Mines Act, 1952, The Motor Transport Workers Act 1961, The Central Labour (Regulation and Abolition) Act, 1970, The Merchant Shipping Act, 1953, Dock Workers' (Safety, Health and Welfare) Scheme, 1961, Inter-State Migrant Workers (Regulation of Employment and Conditions of Service) Act, 1979.

### **Approaches to Labour Welfare**

- 1) POLICING THEORY : State regulation to ensure fair treatment and stop exploitation
- 2) RELIGION THEORY : Good "Karma" will reap its rewards in this life and the lives thereafter.
- 3) PHILANTHROPIC THEORY : Affection for mankind



- 4) PATERNALISTIC THEORY Trusteeship Theory.
- 5) PLACATING THEORY : Appeasement pays when the workers are organized and militant.
- 6) PUBLIC RELATIONS THEORY : Good welfare measures good image of the company amongst the workmen and the outside society and is good for the company.
- 7) FUNCTIONAL THEORY : Efficiency Theory - good welfare measures yields better productivity and profits.
- 8) SOCIAL THEORY : The company is morally bound to improve the conditions of the community and the society.