CLASS NOTES ON

ORGANIZATION AND MANAGEMENT

POKHARA UNIVERSITY

Compiled By

Ganesh Thapa, MBA

CHAPTER 1

INTRODUCTION

1.1 ORGANIZATION-MEANING AND CONCEPTS

An organization is a group of people formed for the attainment of common goals and operates in a society. People form organization because they know that their needs can be fulfilled more efficiently in a group rather than individually. Thus Knootz and Weirich has a defined organization as group of people working together to create a surplus. In business organizations surplus is profit and in non-profit organization surplus can be satisfaction of needs.

In depth, organization is defined as system consisting of social technical and economic elements and purpose to coordinate human and material resources to attain multiple objectives.
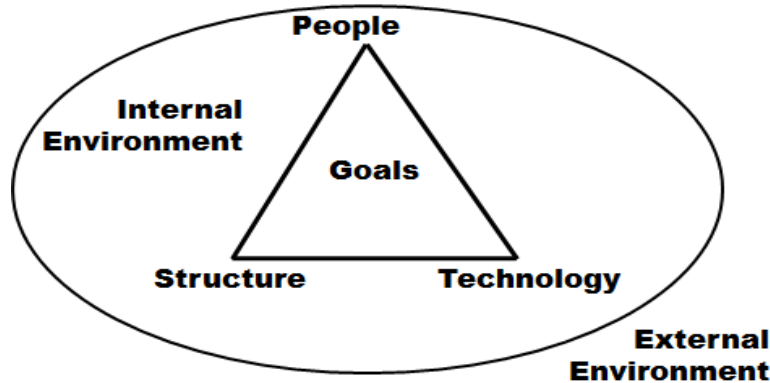

FIG 1.1 : Definition of Organization

Organization is a process of defining and assigning authorities and responsibilities to achieve goals of an organization using technology and appropriate structure. Technology and structure helps to bring efforts of people together to achieve common goals in a dynamic environment.

Characteristics of organization:

> ➢ It is goal oriented and goals must be SMART.

> ➢ It is a conscious collection and co-ordination of people.

> ➢ It consists of proper structure to arrange the people.

> ➢ It consists of technology.

> ➢ It is an open system, existing in an environment, which consists of both Internal and External Environment (PEST).

➤ It has continuity.

1.2 MANAGEMENT: MEANINGS AND CONCEPTS

Management is a process of designing and maintaining an environment in which individuals work together in groups, efficiently and effectively to accomplish selected aims. From the resource based perspective organizations uses human, financial, physical and information resources from the environment. Human resources include managerial talent and labor. Financial resources are the capital used to finance long term and short term operations. Physical resources include raw materials, offices and equipment. Information resources are usable data needed to make effective decisions. Managers are responsible for combining and coordinating these various kinds of resources to achieve the organization's goal. Thus managers are the human resources who work with and through other people by coordinating their work activities in order to accomplish organizational goals.

Different writers and experts have defined management differently.

- **Marry Parker Follet**: "*Management is the art of getting things done through people*".

- **F. W. Taylor**: "*Management is knowing exactly what you want people to do, and then seeing that they so it in the best and cheapest way*".

- **Koontz and Weihrich**: "*Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims*.

- **Ricky W. Griffin**: "*Management is a set of activities (including planning organizing, leading and controlling) directed at an organization's resources (human financial, physical, and information), with the aim of achieving organizational goals effectively and efficiently in a changing environment*".

Above definitions can be combined to define the management as:

Management is a process of planning organizing, directing and controlling for getting activities completed through and with peoples by the coordinated use of organizational resources **efficiently and effectively** to accomplish the organizational goals/objective. By efficient, we mean wisely and in a cost-effective way. By effective, we mean making the right decisions and implementing them successfully. In another sense efficiency refers to "doing things right" i.e getting the most output for the least input whereas effectiveness refers to "doing the right things" i.e. attaining organizational goals.
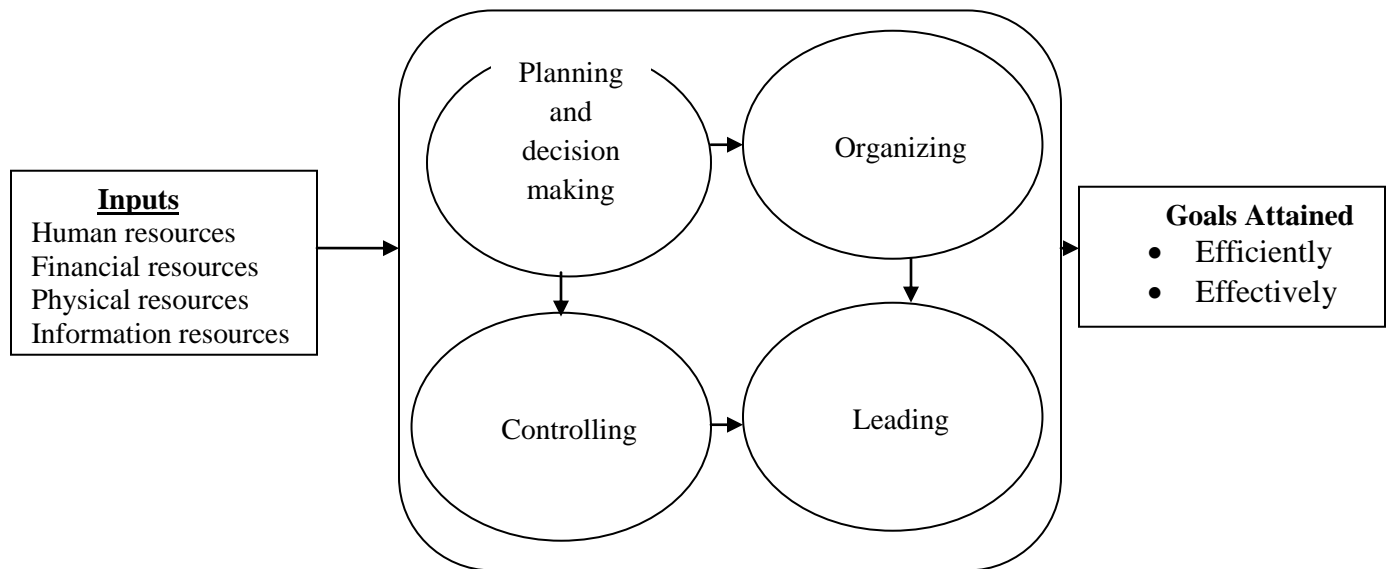
FIG 1.2: Management in organization

Management has to operate its functions in dynamic environment of an organization. The forces like Political, economic, Socio-cultural and Technological has strong effect on the success of management. Thus it has to adopt the change in these environmental forces to achieve the organizational goals.

Thus we can summarize management as

- Getting things done by others

- Utilizing resources

- Through multi-stage processes

- To achieve organizational goals

Management is integral to any organization and is vital for its success.

Features of management

- Art as well as Science

- Management is an activity

- Management is a continuous process

- Management achieving pre-determined objectives

➢ Organized activities

➢ Management is a factor of production

➢ Management as a system

➢ Management is a discipline

1.3 FUNCTIONS OF MANAGEMENT

Managers are the individuals who achieve goals through other people. Their activities include making decisions, allocate resources and directing activities of others to attain goals. The major functions that a manager completes can be categorized into four different functions known as **planning, organizing, leading, and controlling**.

Managers spend a good deal of his or her time planning and organizing so that he or she can effectively carry out the functions of leading and controlling. Effective managers understand how planning, organizing, leading, and controlling are used to achieve organizational success. Managers must first plan, then organize according to that plan, lead others to work towards the plan, and finally evaluate the effectiveness of the plan. These four functions must be performed properly and, when done well, become the reason for organizational success.
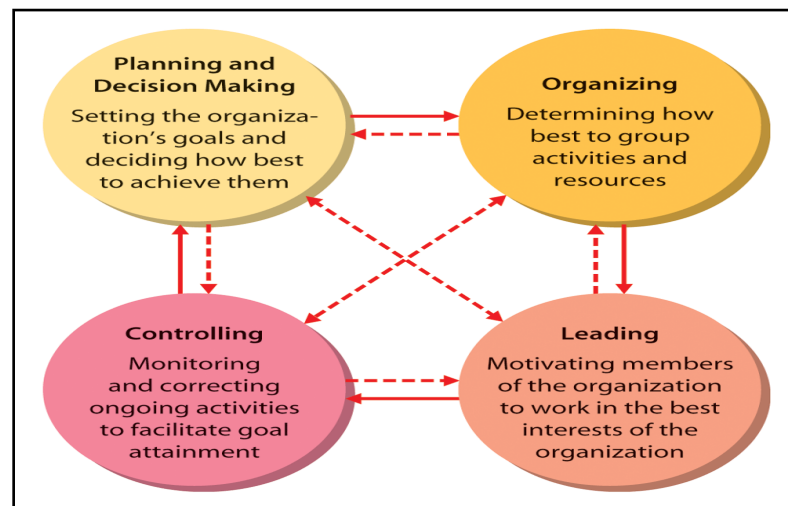

FIG 1.3.1: Functions of management

Planning:

The first of the managerial functions is planning. In this step the manager will create a detailed action plan aimed at some organizational goal. Planning is a process that includes defining goals, establishing strategy, and developing plans to coordinate activities. Planning is an ongoing step

and can be highly specialized based on organizational goals, division goals, departmental goals, and team goals. It is up to the manager to recognize which goals need to be planned within his or her individual area.

Objectives of planning:

- ➢ **Analysis** – *how, in what order, with what resources*

- ➢ **Anticipation** – *foresee potential difficulties, anticipate risk and plan to overcome them accordingly.*

- ➢ **Scheduling resources**

- ➢ **Coordination and control** – *provide basis for co-ordinating the work among concerned; provide a basis for predicting & controlling time and cost.*

- ➢ **Production of data** - *to provide a framework for decision making in the event of change.*

Planning must consist of objectives, programs, schedules, budget forecast, organization policy and procedure standard. In absence of any one, plan will not succeeded.

Organizing

The second of the managerial functions is organizing. Organizing involves determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made. This step requires managers to determine how he or she will distribute resources and organize employees according to the plan. Managers need to identify different roles and ensure that he or she assigns the right amount of employees to carry out the plan. Managers also need to delegate authority, assign work, and provide direction so that team can work towards their goals without having barriers in their way.

Leading

The third function of management is leading. Leading function includes motivating employees, directing others, selecting the most effective communication channels, and resolving conflicts. In this step, managers spend time connecting with their employees on an interpersonal level. This goes beyond simply managing tasks; rather, it involves communicating, motivating, inspiring, and encouraging employees towards a higher level of productivity. Not all managers are leaders. An employee will follow the directions of a manager because they have to, but an employee will voluntarily follow the directions of a leader because they believe in who he or she is as a person, what he or she stands for, and for the manner in which they are inspired by the leader.

Controlling

Controlling is the final function of management. Controlling is the process of monitoring activities to ensure they are being accomplished as planned and correcting any significant deviations. Once a plan has been carried out the manager evaluates the results against the goals. If a goal is not being met, the manager must also take any necessary corrective actions to continue to work towards that goal.
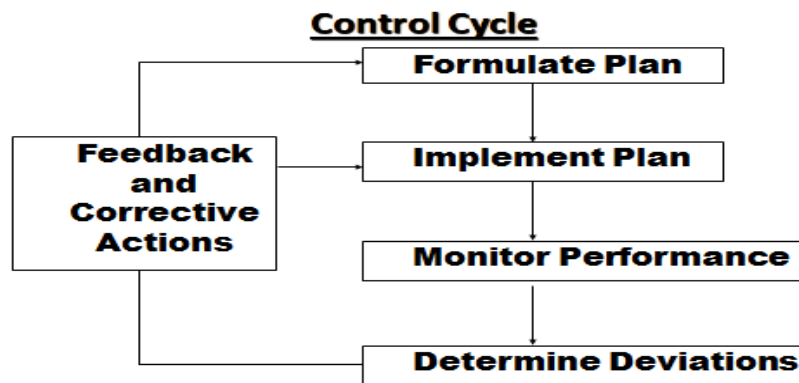

Fig 1.3.2 : Control cycle

1.4 LEVELS OF MANAGEMENT

A typical organization has several layers of management. We can think of these layers as forming a pyramid like the one in **Figure 1.3 "Levels of Management"**, with top managers occupying the narrow space at the peak, first-line managers the broad base, and middle-managers the levels in between. As we move up the pyramid, management positions get more demanding, but they carry more authority and responsibility (along with more power, prestige, and pay). Top managers spend most of their time in planning and decision making, while first-line managers focus on day-to-day operations. For obvious reasons, there are far more people with positions at the base of the pyramid than there are with jobs at the other two levels (as you get to the top, there are only a few positions).

Top Level Managers

Generally top level management is small group of executives responsible for handling overall aspects of an organization. They are responsible for making organizational decisions and setting the policies and strategies that affect all aspects of the organization. The job of a top level managers is varied and complex. They made decisions about such activities as acquiring other companies, investing in research and development, entering or leaving various market and building new plants and office facilities. These individuals generally have title as vice president,

president, chancellor, managing director, chief operating officer, chief executive officer, or chairman.

Middle Level managers

This level includes largest group of managers in most organization. Middle level includes all levels of management between the supervisory level and the top level of the organization. They are primarily responsible for implementing the policies and plans developed by the top level and for supervising and coordinating the activities of lower level managers. Department or agency head, project leader, plant manager, unit chief, dean, or divisional manager represent middle level manager.
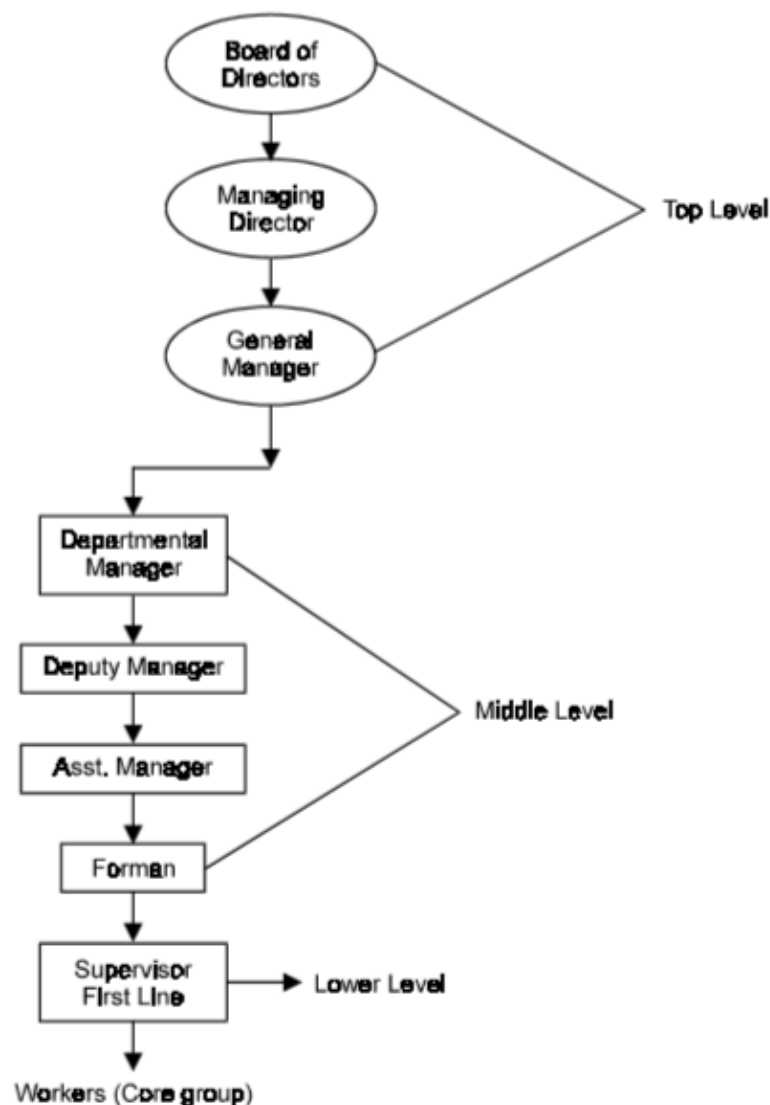
FIG 1.4: Level of Management

Lower Level Managers

The level of managers who are responsible for supervising, controlling and coordinating the activities of operating employees are called lower level managers. They are largely involved in handling day-to-day activities with the help of operating level staffs. These levels of manager generally hold title as supervisor, foreman, section head etc.

1.5 SCOPE OF MANAGEMENT

The field of management is very wide. The operational areas of business management may be classified into the following categories:

(i) Production Management: Production management implies planning, organizing, directing and controlling the production function so as to produce the right goods, in right quantity, at the right time and at the right cost. It includes the following activities:
  ➢ designing the product
  ➢ location and layout of plant and building
  ➢ planning and control of factory operations
  ➢ operation of purchase and storage of materials
  ➢ repairs and maintenance
  ➢ inventory cost and quality control
  ➢ research and development etc.

(ii) Marketing Management: Marketing management refers to the identification of consumers needs and supplying them the goods and services which can satisfy these wants. It involves the following activities:
  ➢ marketing research to determine the needs and expectation of consumers
  ➢ planning and developing suitable products
  ➢ setting appropriate prices
  ➢ selecting the right channel of distribution, and
  ➢ promotional activities like advertising and salesmanship to communicate with the customers

(iii) Financial Management: Financial management seeks to ensure the right amount and type of funds to business at the right time and at reasonable cost. It comprises the following activities:

  ➢ estimating the volume of funds required for both long-term and short-term needs of business
  ➢ selecting the appropriate source of funds
  ➢ raising the required funds at the right time
  ➢ ensuring proper utilization and allocation of raised funds so as to maintain safety and liquidity of funds and the credit- worthiness and profitability of business, and

➤ administration of earnings Thus, financial management involves the planning, organizing and controlling of the financial resources.

(iv) Personnel Management: Personnel management involves planning, organizing and controlling the procurement, development, compensation, maintenance and integration of human resources of an organization. It consists of the following activities:

➤ manpower planning
➤ recruitments,
➤ selection,
➤ training
➤ appraisal,
➤ promotions and transfers,
➤ compensation,
➤ employee welfare services, and
➤ personnel records and research, etc.
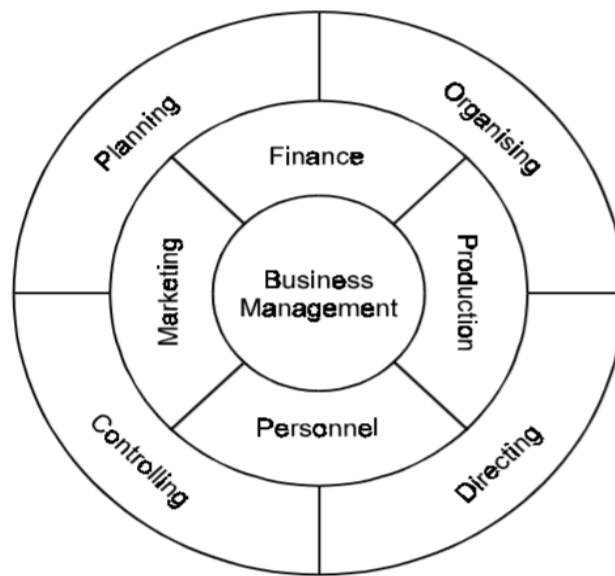
Fig1.5: Scope of management

1.6 ROLE AND IMPORTANCE OF MANAGEMENT

Management is indispensable for the successful functioning of every organization. It is all the more important in business enterprises. No business runs in itself, even on momentum. Every business needs repeated stimulus which can only be provided by management. According to Peter Drucker" management is a dynamic life giving element in an organization, without it the resources of production remain mere resources and never become production". The importance of management has been highlighted clearly in the following points:

(i) ***Achievement of group goals*****:** A human group consists of several persons, each specializing in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realize its objectives unless there is mutual cooperation and coordination among the members of the group. Management creates team-work and coordination in the group. S/He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard.

(ii) ***Optimum utilization of resources:*** Managers forecast the need for materials, machinery, money and manpower. They ensure that the organization has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employers so that they can make the best use of the available resources.

(iii) ***Minimization of cost:*** In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.

(iv) ***Survival and growth:*** Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimize the risks and maximize the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.

(v) ***Generation of employment:*** By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organizations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.

(vi) ***Development of the nation:*** Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical know- how cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

CHAPTER 2:

ORGANIZATION

2.1 ORGANIZATION

An organization is a social group which distributes tasks for a collective goal. Organization is the foundation upon which the whole structure of management is built. It is the backbone of management Organizations are human associations. There are a variety of legal types of organizations, including: corporations, governments, non-governmental organizations, international organizations, armed forces, charities, not-for-profit corporations, partnerships, cooperatives, and universities.

From a process-related perspective, an organization is viewed as an entity is being (re-)organized, and the focus is on the organization as a set of tasks or actions. From a functional perspective, the focus is on how entities like businesses or state authorities are used. From an institutional perspective, an organization is viewed as a purposeful structure within a social context

Definition of Organization from……..

Robins: An organization is a consciously coordinated social unit composed of two or more people those functions on a relatively continuous basis to achieve a common goal or set of goals.

Griffin: Organization is a group of people working together in a structured and coordinated fashion to achieve a set of goals.

Chester I. Bernard: organization is a system of consciously coordinated activities of two or more persons

Amitai Etzioni: Organization is planned units, deliberately structured for the purpose of attaining specific goals

2.2 CHARACTERISTICS OF ORGANIZATION

➢ There should be two or more people and perform various function
➢ Organizations are goal oriented. They are created to achieve common goals.
➢ Organizations have continuity
➢ Organizations use technology to transform inputs into out puts
➢ Organizations have structures
➢ Organizations are open system

- Organizations are of many types: business, government, service, unions, international, political, cultural, etc.
- Organizations have several level- top, middle, lower as well as differentiated functions
- An Organization is managed by its leader

2.3 PRINCIPLES OF ORGANIZATION

- Basic principles are listed below:
- **Division of Work** – When employees are specialized, output can increase because they become increasingly skilled and efficient.
- **Authority** – Managers must have the authority to give orders, but they must also keep in mind that with authority comes responsibility.
- **Discipline** – Discipline must be upheld in organizations, but methods for doing so can vary.
- **Unity of Command** – Employees should have only one direct supervisor.
- **Unity of Direction** – Teams with the same objective should be working under the direction of one manager, using one plan. This will ensure that action is properly coordinated.
- **Subordination of Individual Interests to the General Interest** – The interests of one employee should not be allowed to become more important than those of the group. This includes managers.
- **Remuneration** – Employee satisfaction depends on fair remuneration for everyone. This includes financial and non-financial compensation.
- **Centralization** – This principle refers to how close employees are to the decision-making process. It is important to aim for an appropriate balance.
- **Scalar Chain** – Employees should be aware of where they stand in the organization's hierarchy, or chain of command.
- **Order** – The workplace facilities must be clean, tidy and safe for employees. Everything should have its place.
- **Equity** – Managers should be fair to staff at all times, both maintaining discipline as necessary and acting with kindness where appropriate.
- **Stability of Tenure of Personnel** – Managers should strive to minimize employee turnover. Personnel planning should be a priority.
- **Initiative** – Employees should be given the necessary level of freedom to create and carry out plans.

2.4 FORMAL AND INFORMAL ORGANIZATION

2.4.1 Formal Organization:

   The formal Organization has a structure that is consciously designed to enable the people of the organization to work together for accomplishing common objectives. Thus, formal Organization is more or less arbitrary structure to which the individual must adjust. It tells individual members to do certain things in specific manner to obey orders from designated individuals and to cooperate with others. Coordination also proceeds according to a prescribed pattern in the formal Organization structure.

   The formal Organization is built on certain principles, i.e. around four key pillars, namely, (a) division of labor, i.e. the whole work is divided into a number of small operations and each operation is performed by a different person so that there is maximum specialization; (b) scalar and functional processes, which implies that the Organization grows both vertically and horizontally, (c) structure, which refers to the overall arrangement ensuring proper balance between different parts of the organization and secures the execution of all operations and the achievement of organizational objectives; and (d) span of control, refers to the number of subordinates directly reporting and accountable to one superior.

According to Koontz and Weitirich- Formal organization means the intentional structure of roles in a formally organized enterprise

Characteristics of formal organization

> ➢ It is deliberately created by management
> ➢ It is created to accomplish predetermined goals
> ➢ It is based on division of work and job specialization
> ➢ Authority-responsibility of every position is clearly defined
> ➢ Communication channel is through scalar chain
> ➢ Members are guided by formal policies, plans, rules and procedures.
> ➢ It has long life in terms of continuity
> ➢ Much emphasis is placed on efficiency, discipline, conformity, consistency and control
> ➢ It is slow in adapting in environmental changes.

Criticisms of Formal Organization:

➢ individuals are ignored in determining the interactions, communication and accountability;

➢ the ideal relationship assumes that rational human beings will stick to rules and regulations but such assumption is hard to find in reality;

➢ Assumption that punishment or reward always brings a reaction among humans (rabble hypothesis) also fails to succeed as humans are not always motivated by rewards and punishment.;

➢ Rules and regulations of a formal Organization is too rigid and not sensitive to changing times and circumstances, thus becomes difficult over time to achieve the goals of the organization.

2.4.2 Informal organization

Informal organizations refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes, etc. These relations are not developed according to procedures and regulations laid down in the formal organization structure; generally large formal groups give rise to small informal groups. These groups are not preplanned; rather develop automatically/spontaneously according to the organizational environment.

No organization operates completely 'by the book'. In real settings, the relationship that actually exists among employees in an organization does not follow formal lines. Employees in one department know those in other departments. They may need information about the acts of indiscipline in a particular department or some advice on delicate matters regarding the handling of jobs, etc. The associations of persons, in such cases, come under 'informal organization'. These associations may be among employees on the same level of the hierarchy or on different levels.

The communication in informal organization is very fast and efficient. If handled properly, it helps in forming the activities of the organization very efficiently and effectively. Informal organization may act to fill gaps in management's abilities. It also helps in mediating breaches in understanding between the management and the employees. Informal organizations influence productivity and job-satisfaction. It delineates avenues of promotion and points out 'dead-end' jobs. It makes for closer cooperation and higher morale. It brings to the members of a formal organization a feeling of belongingness, of status, of

self-respect/esteem, and of gregarious satisfaction. They are rather important means of maintaining the personality of the individual against certain disintegrative effects of formal organization. According to Chester Barnard: Informal organization is any joint personal activity without conscious joint purpose, although contributing to joint results.

Characteristics of informal organization

- It is unplanned and spontaneous.
- It is based on common interest, attitude and work related needs.
- It results from human interactions or social relationship.
- It has no written plans, policies, rules and procedures
- It is guided by customs, conventions culture, group norms, values and belief.
- Its membership is voluntary
- It quickly adapt the environmental change
- It has tendency to resist changes within the group.
- The communication is through grapevine or informal channel.
- It coexists with the formal organization
- Its primary focus is person
- It has informal system of reward and punishment
- Its goals are not well-defined and consistent
- Power in informal organization is given by group members rather than delegated by manager
- They do not have well defined tasks; nor they divided and subdivided
- The relationship is interpersonal not impersonal

Advantages of informal organization

- Provides sense of belonging and security to members
- Acts as a safety valve for emotional problems
- Members get help on the job from one another
- Serves as an important channel of communication
- Social control through group norms is possible
- Authority of members can be kept under check
- Reduces need for close supervision by management
- Employees reaction about proposed managerial actions can be known in advance

Disadvantage of informal organizations

➢ Resistance to change

➢ Rumor spreading

➢ Interference on management decision

➢ Group think philosophy

➢ Role conflict and sub-optimization

Reasons for emergence or need for informal organization

➢ To fulfill social security, affiliation, esteem, etc.

➢ To work in close proximity with group.

➢ To share view with people with similar social, cultural, economic, etc. composition

➢ To interacts with others.

2.5 ORGANIZATION STRUCTURE

An **organizational structure** consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment. According to Stoner- "organizational structure is the way in which an organization's activities are divided, organized and coordinated". An organization can be structured in many different ways, depending on their objectives

Types of organization structure

I. Line organization/scalar structure/military organization

Characteristics:

➢ Oldest form of organization

➢ There is direct and fixed line of authority between superior and subordinate

➢ Authority flows from top to down in the organizational hierarchy

➢ It entitles a manager to direct the work of subordinates

➢ one employee has only one boss
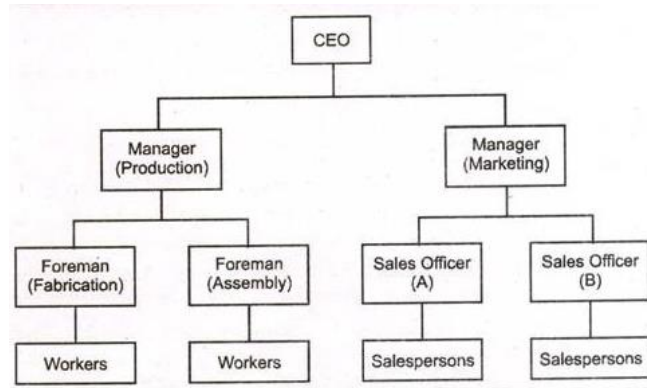
Merits of Line organization

➤ Simple to design and easy to understand
➤ Authority-responsibility relationships are clear and definite
➤ Unity of command
➤ Managers can make prompt decision within the limits of their authority
➤ This structure is less expensive because staff specialists are not required
➤ More flexible on such environment change
➤ Easy to fix responsibility to each staff

Demerits of Line organization

➤ Tends to be rigid and inflexible
➤ Centralization of authority at the top can lead to autocratic behavior
➤ Superiors are overburdened with diverse jobs
➤ Nepotism and favoritism prevail due to control of activities
➤ Generally one way communication from top to bottom
➤ Lack of expert advice can lead to waste of resources
➤ Sub optimization emerges because every department works for its own interests.

II. Line and staff organization

Characteristics

➤ Line and staff organization is characterized by both line and staff position.
➤ A line portion is a position in the direct chain of command that is responsible for the achievement of an organization's goal.
➤ Line functions directly contribute to goal accomplishment. It contains the power to make and execute decision.

> A staff position is intended to provide expertise, advice and support for line positions. Staff functions contribute indirectly to goal accomplishment.
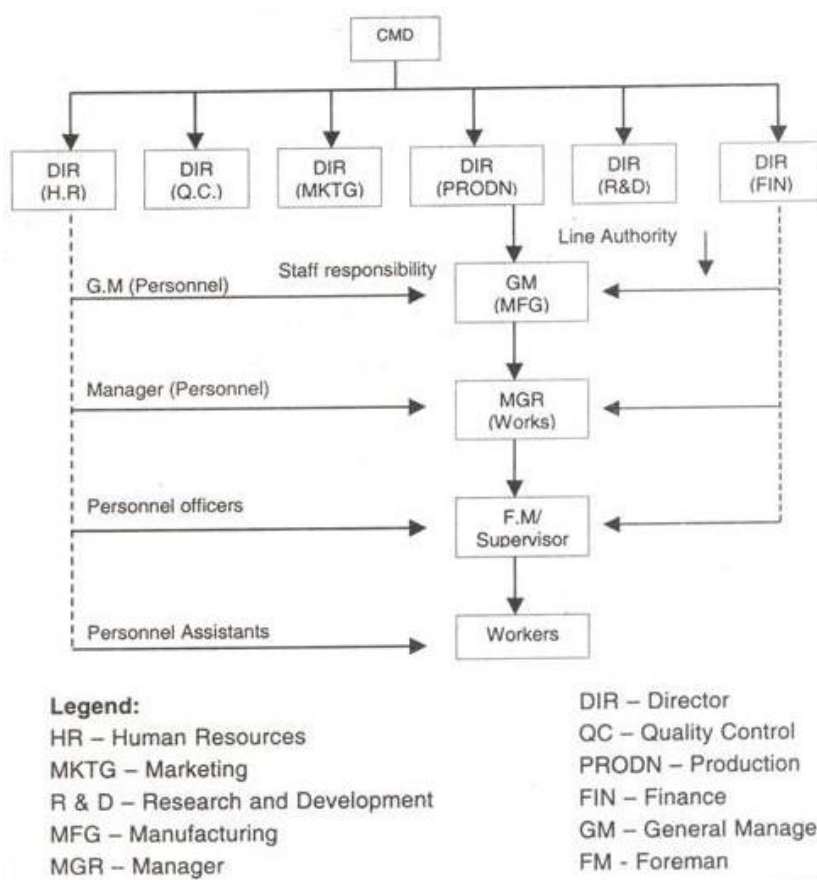
Above figure illustrates the line and staff organizational chart. The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organizational structure is replaced by staff responsibility so that the principle of unity of command is not violated.

Merits of Line and staff organization

> Staff specialists provide expert advice and services
> Decision making becomes more effective and specialized
> It is based upon planned specialization
> Staff experts do not disturb the scalar chain of command and authority. So discipline and stability can be maintained
> Work load can be balance because staff members take care of information collection and detailed job analysis
> Staff specialists can be added to the line structure when necessary

> Staff specialists provide opportunities for development and advancement to line members as the expert advice help to improve performance
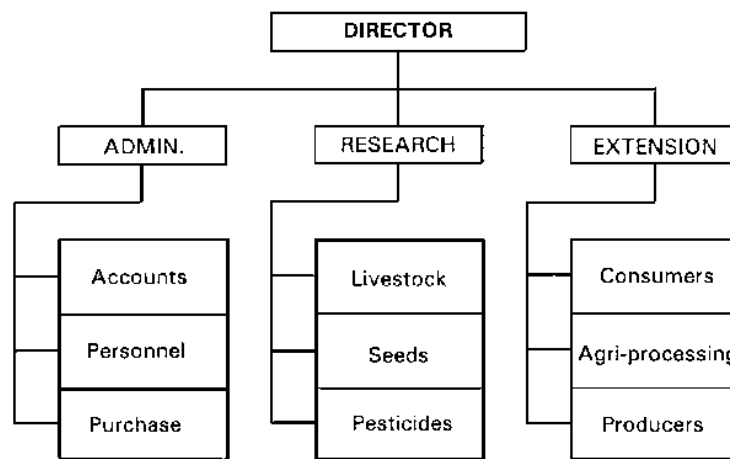
Demerits of Line and staff organization

> Staff members tend to interfere with line authority to get their advice implemented
> Lack of coordination between line and staff members way lead to confusion
> Line members may become over dependent on staff members for decision making
> Staff members may lack practical knowledge
> Expensive because two sets of employees are needed
> Greater chance of conflict, rivalry and jealousy
> Misunderstanding and misinterpretation could pervade

III. Functional organization

Functional organization is a type of organizational structure that uses the principle of specialization based on function or role. It allows decisions to be decentralized since issues are delegated to specialized persons or units, leaving them the responsibility of implementing, evaluating, or controlling the given procedures or goals. Thus a functional organization, in which everyone engaged in one functional activity such as marketing or finance, is grouped into one unit.

F. W. Taylor-father of scientific management-originally developed the concept of functional structure. It is most commonly used by small size organization.

```
                        ┌──────────┐
                        │ DIRECTOR │
                        └──────────┘
          ┌──────────────────┼──────────────────┐
     ┌──────────┐       ┌──────────┐       ┌──────────┐
     │  ADMIN.  │       │ RESEARCH │       │EXTENSION │
     └──────────┘       └──────────┘       └──────────┘
     ┌──────────┐       ┌──────────┐       ┌──────────┐
     │ Accounts │       │ Livestock│       │ Consumers│
     ├──────────┤       ├──────────┤       ├──────────────┤
     │ Personnel│       │  Seeds   │       │Agri-processing│
     ├──────────┤       ├──────────┤       ├──────────────┤
     │ Purchase │       │ Pesticides│      │ Producers │
     └──────────┘       └──────────┘       └──────────┘
```

Characteristics of functional organization

> Organizational members are grouped into functional departments
> It focuses on specialization as every manger concentrates on a particular function

- ➢ Establish definite relationship between divided units
- ➢ It focuses only on organizational functions such as marketing, finance, rather than the basic managerial functions such as planning or controlling
- ➢ A subordinate refers to multiple bossed for different functions

Merits of Functional organization

- ➢ It facilitates work specialization
- ➢ It allows coordination within function
- ➢ Specialists mangers increase efficiency
- ➢ increase in operational efficiency
- ➢ It makes supervision easier since each manager must be expert in only a narrow range of skills
- ➢ Makes easier to mobilize specialized skills and bring them
- ➢ to bear where they are most needed
- ➢ Facilitates career progression within functional areas
- ➢ Overburden of work is reduced

Demerits of Functional organization

- ➢ It can be difficult to get quick decision because functional manager has to report to top authority
- ➢ problems and difficulties of multiple command
- ➢ It is often harder to determine accountability and judge performance because a subordinate is related to his functions in all department
- ➢ It is more complicated in operation
- ➢ lack of well-defined responsibility
- ➢ There can be self-centered narrow departmental focus

IV. Matrix Structure

A matrix structure provides for reporting levels both horizontally as well as vertically. Employees may be part of a functional group but may serve on a team that supports new product development. This kind of structure may have members of different groups working together to develop a new product line. The advantage of a matrix organizational structure is that employees have responsibility not only for their department but for organizational projects. A challenge with this type of structure presents itself when

employees are given direction from two different managers and they need to prioritize their work responsibilities.
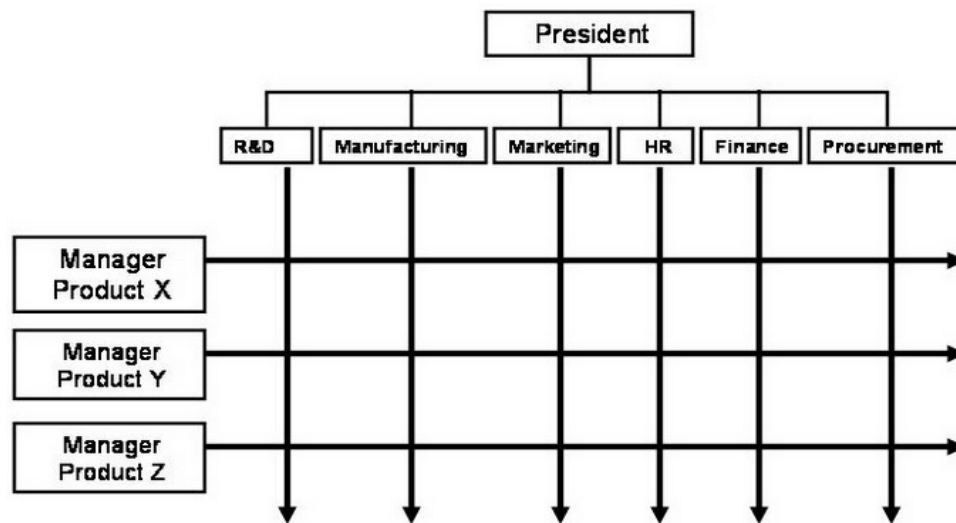
Advantages:

- ➢ Decentralized decision making.
- ➢ Strong product/project co-ordination.
- ➢ Improved environmental monitoring.
- ➢ Fast response to change.
- ➢ Flexible use of resources.
- ➢ Efficient use of support systems.

Disadvantages:

- ➢ High administration cost.
- ➢ Potential confusion over authority and responsibility.
- ➢ High prospects of conflict.
- ➢ Overemphasis on group decision making.
- ➢ Excessive focus on internal relations.

This type of organization is often used when the firm has to be highly responsive to a rapidly changing external environment. In matrix structures, there are functional managers and product (or project or business group) managers. Functional manager are in charge of specialized resources such as

production, quality control, inventories, scheduling and marketing. Product or business group managers are incharge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.

The problem with this structure is the negative effects of dual authority similar to that of project organization. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organization, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

2.6 ORGANIZATIONAL CHART

An organizational chart is a diagram that shows the structure of an organization and the relationships and relative ranks of its parts and positions/jobs. An organizational chart of a company usually shows the managers and sub-workers who make up an organization. It also shows the relationships between directors: managing director chief executive officer: various departments.

According to G. R. Terry: "Organizational chart is a diagrammatical form which shows important aspects of an organization including the major functions and their respective relationship, the channel of supervision, and the relative authority of each employee who is in charge of respective function."

Organizational chart shows organization structure, which describes the departments, hierarchy and committees and the ways in which an organization divides it tasks and then coordinates them. Organizational structure or chart may differ within the same organization according to the particular requirements.
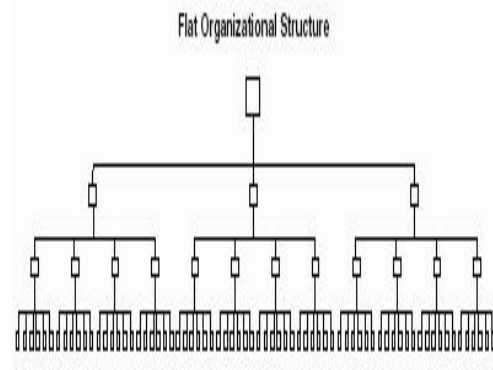
Form/types of organization chart

Basically there are two forms of organizational chart:

- **Tall Organization Chart**
- **Flat Organization Chart**

2.6.1   Tall organization chart

A tall organization has many levels of management and supervision. There is a "long chain of command" running from the top of the organization to the bottom of the organization. However, tall structures rarely exceed 8 levels of management. This is firstly because the number of layers (i.e. management levels) decreases the span of control. Secondly the disadvantages of the tall structure begin to outweigh the advantages of a tall structure.

Tall Organizational Structure   Flat Organizational Structure
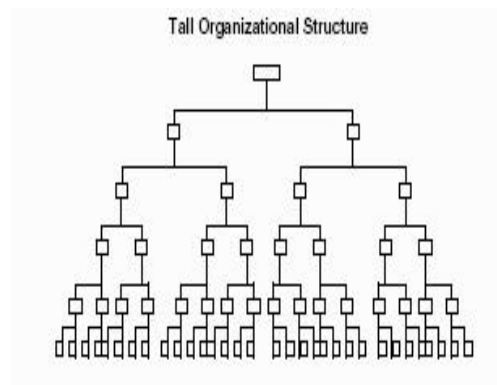
Advantages and disadvantages of tall organization chart

Advantages of Tall Organisations	Disadvantages of Tall Organisations
There is a narrow span of control ie each manager has a small number of employees under their control. This means that employees can be closely supervised.	*The freedom and responsibility of employees (subordinates) is restricted.*
There is a clear management structure.	*Decision making could be slowed down as approval may be needed by each of the layers of authority.*
The function of each layer will be clear and distinct. There will be clear lines of responsibility and control.	*Communication has to take place through many layers of management.*
Clear progression and promotion ladder.	*High management costs since managers are generally paid more than subordinates in each layer.*

2.6.2 Flat Organization Chart

A flat organisation will have relatively few layers or just one layer of management. This means that the "Chain of Command" from top to bottom is short and the "span of control

is wide". Due to the small number of management layers, flat organisations are often small organisations.

The flat organization model promotes employee involvement through a decentralized decision-making process. By elevating the level of responsibility of baseline employees and eliminating layers of middle management, comments and feedback reach all personnel involved in decisions more quickly.

Advantages and disadvantages of flat organization chart

Advantages of *Flat Organisations*	*Disadvantages of* *Flat Organisations*
More/Greater communication between management and workers.	*Workers may have more than one manager/boss.*
Better team sprit.	*May limit/hinder the growth of the organisation.*
Less bureaucracy and easier decision making.	*Structure limited to small organisations such as partnerships, co-operatives and some private limited companies.*
Fewer levels of management which includes benefits such as lower costs as managers are generally paid more than worker.	*Function of each department/person could be blurred and merge into the job roles of others.*

2.6.3 Other forms of Organizational chart

I. **Top –Down chart:**
- Here, major functions are at the top with subordinate functions in successive lower portions
- It is widely used
- It is simple to use and understand

II. Left to right/horizontal chart:

- Here, the highest positions are put at the left and those decreasing authority moves towards the right

III. Circular chart:

- Here, the highest position is put at the center and other positions are clustered around it

- Positions of less authority are more distinct from it.

2.7 AUTHORITY AND RESPONSIBILITY AND THEIR INTERELATIONSHIPS

Responsibility

Responsibility is the obligation to accomplish the goals related to the position and the organization. It arises from the superior-subordinate relationship. It is person specific. Managers' primary responsibilities are to examine tasks, problems, or opportunities in relationship to the company's short-and long-range goals.

Characteristics of responsibility

- It is an obligation to perform job
- It arises from superior-subordinate relationship
- It is person-specific
- It is assumed and cannot be delegated
- It flows upward in the hierarchy
- It is commensurate with authority
- It can be continuing or one-shot obligation

Authority

Authority is the right to give orders and power to exact obedience. Authority may be defined as the power to make decisions, which guide the actions of another. Authority is seen as the legitimate right of a person to exercise influence or the legitimate right to make decisions, to carry out actions, and to direct others. For example, managers expect to have the authority to assign work, hire employees. **Characteristics of authority**

- It is the legitimate right to give orders
- It is the right to make decisions and use research
- It can be delegated to subordinates. It can be added, reduced and withdrawn
- It is related with the portion in the organizational hierarchy
- It is specified in the job description of employee
- It is maximum at the top level and minimum at the bottom level of management
- Use of the authority is determined by personality factor of the possessor
- Use of authority may control the negative aspects or behavior
- Authority can be line authority, staff authority or functional authority
- It is goal oriented

Difference between authority and responsibility

i. <u>Meaning:</u> authority is a legitimate power to give order whereas Responsibility is an obligation to obey order

ii. <u>Nature:</u> **authority** is position-specific whereas Responsibility is person-specific

iii. <u>Flow:</u> **authority** flows downward whereas **responsibility** flows upward

iv. <u>Delegation:</u> authority can be delegated; added, reduced and withdrawn whereas Responsibility cannot be delegated. It cannot be greater than authority.

v. <u>Life span:</u> authority is continuous with position whereas Responsibility comes to end after job performance

vi. <u>Accountability:</u> authority is continuous with position whereas Responsibility has implied accountability for satisfactory

vii. <u>Source:</u> In case of authority, source is law of contract, acceptance by subordinates whereas source is superior subordinate relationship.

CHAPTER III
MOTIVATION AND LEADERSHIP

3.1 MOTIVATION

Motivation in derived from Latin word "MOVERE" which means to move. Thus, motivation literally means to act or move. It is an inner impulse that includes a person to act on a desired way. The process that account for an individual's intensity, direction and persistence of effort toward attaining a goal is called motivation.

Key Elements

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

In organizational setting, motivation means to make an employee act in a desired and favorable manner. It is the act or stimulating someone or oneself to get a desired course of action.

According to Luthans: "Motivation is a process that stands with a physiological or psychological deficiency or need that activates behavior or a drive that is aimed at goal or incentive". There are two types of motivation **intrinsic** and **extrinsic** motivation.

Characteristics/ nature of motivation

➢ Motivation is a pervasive function. It is performed by employees at all level

➢ It is always goal oriented. It involves effort to achieve goals

➢ It is a psychological process. It is concerned with individual's needs, motives, drives and other internal, status.

➢ It is complex and unpredictable due to the presence of individuals difference

➢ It is concerned with total individuals not the part of individual

➢ It is situational because motivation differs person to person and time to time

➢ It can be positive or negative. Positive motivation is rewarding whereas negative motivation is based on punishment

➢ It is a continuous process

3.2 INCENTIVE

Incentive is any factor (financial or non-financial) that enables or motivates a particular course of action, or counts as a reason for preferring one choice to the alternatives. Incentives are one-shot rewards that do not become a permanent part of an employee's base compensation. It is an expectation that encourages people to behave in a certain way. Incentive may be monetary or non-monetary. Monetary incentives include piece-rate incentive plans: that pay a certain amount of money for every unit the employee produces and sales commissions: the percentage of an employee's sales to customers that is paid to an employee as a reward for selling the firm's products or services. Non-monetary incentives include days off, additional paid vacation time etc.

Types of incentives according as motive agent

i. **Remunerative incentives** (or **financial incentives**) are said to exist where an agent can expect some form of material reward — especially money — in exchange for acting in a particular way

ii. **Moral incentives:** are said to exist where a particular choice is widely regarded as the *right thing to do*, or as particularly admirable, or where the failure to act in a certain way is demonstrate the guilt as indecent

iii. **Coercive incentives:** where a person can expect that the failure to act in a particular way will result in *physical force* being used against them (or their loved ones) by others in the community

iv. **Natural Incentives:** such as curiosity, imagination, mental or physical exercise, admiration, fear, anger, pain, joy, or the pursuit of truth, or the control over things in the world or people or oneself.

3.3 THEORIES OF MOTIVATION

3.3.1 Maslow's Hierarchy of Needs Theory

It is simply known as need hierarchy theory. This theory was proposed by Abraham Maslow in his 1943 paper '*A Theory of Human Motivation*'. His theory suggests that people must satisfy five group of needs in order-physiological, security, social, esteem and self-actualization. The basis of Maslow's theory of motivation is that human beings are motivated by unsatisfied needs, and that certain lower needs need to be satisfied before higher needs can be addressed. These needs can be arranged in a hierarchy called 'Maslow's Needs Pyramid' or 'Maslow's Needs Triangle'. A person progresses step-by-step up this hierarchy.

Physiological needs:

They are basic biological or physical needs such as food, water, clothing, sleep, and shelter etc. They represent basic issue of survival and biological function. In organization, adequate wages and work environment, itself-restroom, adequate lighting, comfortable temperature, ventilation, etc. generally satisfy these needs.

Security/safety needs:

Security needs include personal security, financial security, health and well-being, safety net against accidents/illness and their adverse impacts. In organization, these needs can be satisfied in the workplace by job continuity, adequate insurance, retirement benefits etc.

Social needs/belongingness:

Social needs involves emotionally-based relationships in general, such as; friendship, intimacy, having a supportive and communicative family. Dissatisfaction in this level of needs may affect the mental health of individual. In organization, a manager can help to satisfy these needs by allowing social interaction, by making employees feel like part of a team, by providing supportive supervision practice.

Esteem/ego needs:

People need to engage themselves to gain recognition and have an activity or activities that give the person a sense of contribution, to feel accepted and self-valued. There are two versions of esteem needs;

    i.   Lower: the need for the respect of others, the need for status, recognition, fame, prestige, and attention

ii. Higher: need for self-esteem, strength, competence, mastery, self-confidence, independence and freedom

In organization, a manager satisfies these needs by providing a variety of extrinsic symbols of accomplishment such as job title, and similar rewards as appropriate. At a more intrinsic level, the manager can provide a more challenging job assignment and opportunity for the employees to feel a sense of accomplishment

Self-actualization needs:

Self-actualization needs refer to realize one's own maximum potential and possibilities. The satisfaction of these needs enables the individual to realize fully the potentialities of his talent and capabilities. Self-actualization is defined as a person's need to be and do that which the person was "born to do". They are perhaps the most difficult for the manger to address such as needs for growth; self-development; creativity; talent utilization; self-fulfillment. In organization, manger can help employees to satisfy self-actualization needs by encouraging creativity, allowing risk-taking, decision making, and supporting workers in their efforts to their skills.

Criticisms of Maslow's Theory
- ❖ ranking of needs
- ❖ existence of a definite hierarchy
- ❖ Beyond these needs, higher levels of needs exist such as needs for understanding, esthetic appreciation and purely spiritual needs

3.3.2 Herzberg's hygiene factors and motivation theory

This theory is also called two/dual factor theory. This theory was proposed by Fredrick Herzberg. According to Herzberg there are two factors that affect the motivation.

Hygiene factor: are needed to ensure an employee does not become dissatisfies. They are also called dis-satisfiers. They are extrinsic factors. They are related to job context and environment.

Motivation Factor: are needed in order to motive an employee into higher performance. They are also called satisfiers. They are intrinsic factors. They are related to job content. Motivation factors leads to satisfaction and motivates human. Some of the motivational factors are

achievement, recognition, work itself, responsibility, advancement , growth, company policy ,supervision, relationship with boss, work conditions, salary, relationship with peers and security.

Implications for management

The job should have sufficient challenge to utilize the full ability of the employee. Employees who demonstrate increasing levels of ability should be given increasing levels of responsibility. If a job cannot be designed to use an employee's full abilities, then the firm should consider automating the task or replacing the employee with one who has a lower level of skill. If a person cannot be fully utilized, then there will be a motivation problem.

Difference between Maslow's theory and Herzberg's theory

- ➢ Hierarchy of needs: Maslow's theory has need hierarchy. Higher order needs become operational after the satisfaction of lower order needs whereas Herzberg's theory has no need hierarchy. All needs are operational at all times.
- ➢ Motivator: In Maslow's theory Unsatisfied needs motivate whereas in Herzberg's theory Only higher order needs motivate
- ➢ Nature: Maslow's theory is descriptive whereas Herzberg's theory is prescriptive
- ➢ View: Maslow's theory is a macro view relevant to all workers whereas Herzberg's theory is a micro view relevant to related motivation of Professional workers

3.3. 3 McCleland Need theory

David C. McClelland-a psychologist developed this theory. He focused on three specific individuals needs that are important in organizations.

i. Need for achievement (n-ach):

- ▪ n-ach person is 'achievement motivated' and therefore seeks achievement, attainment of realistic but challenging goals, and advancement in the job
- ▪ This type of person prefers to work alone or with other high achievers
- ▪ They do not need praise or recognition, achievement of the task is their reward
- ▪ There is a strong need for feedback as to achievement and progress

ii. Need for power (n-pow):

- ▪ The n-pow person is 'authority motivated'
- ▪ needs to feel that they have "power over others"

- There is a strong need to lead and for their ideas to prevail
- There is also motivation and need towards increasing personal status and prestige

iii. Needs for affiliation (n-aff):

- The n-affil person is 'affiliation motivated'
- need "to feel liked" and "accepted" by others
- has a need for friendly relationships and is motivated towards interaction with other people
- The affiliation driver produces motivation and need to be liked and held in popular regard
- These people are team players

3.3.4 Theory X and theory Y

This theory was propounded by Douglas Mc Gregar. Douglas Mc Gregar describe two very different attitudes toward workforce motivation. This theory is based on assumptions managers make about people in organizations. He called these two assumptions as theory Y and Theory X

Theory x ('authoritarian management' style

According to Theory X employees dislikes work and will avoid it if he/she can. Employees must be forced with the threat of punishment to work towards organizational objectives. Employees prefers to be directed; to avoid responsibility; is relatively unambitious, and wants security above all else.

Theory y ('participative management' style)

According to Theory Y employees' effort in work is as natural as work and play. People will apply self-control and self-direction in the pursuit of organizational objectives, without external control or the threat of punishment. Commitment to objectives is a function of rewards associated with their achievement. People usually accept and often seek responsibility, high degree of imagination and creativity in solving organizational problems

Criticism of Theory X and theory Y

- One criticism is that the findings in Herzberg's initial interview are subject to different explanations

- His sample was not representative of general population
- Situational factors are ignored

3.3.5 ERG theory

Clayton Alderfer proposed this theory. The letter E, R and G stand for existence, relatedness and growth. This theory collapse the need hierarchy developed by Maslow into three levels.

Existence needs: They correspond to the physiological and security needs. They represent Maslow's fundamental needs.

Relatedness needs: They focus on how people relate to their social environment. They represent needs for interpersonal relations. In Maslow's hierarchy, they would encompass both the need to belong and the need to earn esteem of others.

Growth needs: They include needs for self-esteem, self-actualization, personal creativity or productive influence. They are the highest level needs in Alderfer's schema

Difference between Maslow's theory and ERG theory

i. Hierarchy of needs : Maslow's theory It has 5 different levels of needs Whereas ERG theory has has only 3 level of needs

ii. Motivation cause: In Maslow's theory At one point of time only one level of need can cause motivation Whereas ERG theory More than one level of needs can cause motivation at the same time.

iii. Frustration/regression element: Maslow's theory is missing. Individuals will remain at one level of needs until achieving satisfaction whereas in ERG theory If needs remain unsatisfied, the individual become frustrated and regresses to a lower level needs.

iv. Movement : Maslow's saw people moving steady up the hierarchy of needs. whereas Alderfer saw people moving up and down the hierarchy of needs from time to time and from situation to situation

3.3.6 Equity Theory

According to equity theory people are motivated to seek social equity in the rewards they receive for performance. Equity is an individual's belief that the treatment he or she receives is fair

relative to the treatment received by others. Individuals view the value of rewards (outcomes) and inputs of effort as ratios and make subjective comparisons of themselves to other people:

- Conditions of and reactions to equity comparisons:
  - Feeling equitably rewarded.
    - Maintain performance and accept comparison as fair estimate.
  - Feeling under-rewarded—try to reduce inequity.
    - Change inputs by trying harder or slacking off.
    - Change outcomes by demanding a raise.
    - Distort the ratios by altering perceptions of self or of others.
    - Leave situation by quitting the job.
    - Change comparisons by choosing another object person.
  - Feeling over-rewarded.
    - Increase or decrease inputs.
    - Distort ratios by rationalizing.
    - Help the object person gain more outcomes.

3.3.7 Expectancy Theory

According to expectancy theory "the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual". According to this theory individuals are motivated if they believe that:

- There is a positive correlation between efforts and performance,
- Favorable performance will result in a desirable reward,
- The reward will satisfy an important need,
- The desire to satisfy the need is strong enough to make the effort worthwhile.

3.4 LEADERSHIP

Leadership is defined as the ability to influence a group toward the achievement of goals. It involves determining the course, giving orders and instructions, and providing supervision. Leadership is ultimately about creating a way for people to contribute to making something

extraordinary happen. Effective leadership is the ability to successfully integrate and maximize available resources within the internal and external environment for the attainment of organizational or societal goals.

According to…..

Keith Davis: Leadership is the ability to persuade others to seek defined objectives enthusiastically

James Stoner: Leadership is the process of directing and influencing the task-related activities of group members.

Robert Kreitner: Leadership is a social influence process in which the leader seek the voluntary participation of subordinated in the effort to reach organizational objectives

Leaders are the people who can influence the behaviors of others without having to rely on force and are accepted as leaders by others. Leaders use non coercive influence to shape the group's or organization's goals. A leader motivates others' behavior toward goals and helps to define organizational culture.

Characteristics of good leadership or leader

- Clear sense of purpose: Leaders must have clear sense about the purpose of the organization of what it wants to achieve
- Good judgment: Leaders must be able to make good judgment on any issue. This needs maturity of mind
- Self-knowledge: Leaders must have the ability to be aware of their own strength and weakness
- Objectivity: Leader should be impartial in reaching conclusion irrespective of caste, color or status
- Adoptability: It is the ability of leader to adapt quickly to new situation. He must has ability to adjust to changing situations
- Cooperativeness: Leader should be able to work well with others and faster team work to achieve goals
- Initiative: Leader should be a self-starter and should overcome obstacle to achieve organizational goals

- Desire for learning: Leader should be able to continue his own professional development, learning about his own organization and developing the skills necessary
- Integrity: This refers to the leader's ability to be honest, trustworthy and fair in implementing organizational policies and decisions
- Emotional maturity: Leaders should have ability to acknowledge the importance of individuals and their opinion

Leadership style

Autocratic style:

- This leadership style is leader centered and is also called authoritarian/dictatorial style. Under this style, power and decision making are centralized in the leader. The autocratic leaders rule with unlimited authority. Its feature are;
- ❖ Leaders make all decisions
- ❖ Leaders have position based authority
- ❖ Leaders give reward and punishment as they like.
- ❖ Information is controlled by leaders
- ❖ Useful in emergency and factor floor situation

Democratic style

- It is group centered and is known as participative or consultative style. Under this style, power and decision making is decentralized. Discussion, consultation and participation are encouraged. Its features are:
- Leaders consult with subordinates about decision
- Authority and responsibility are delegated
- Influence flows both ways, from leader to follower and from follower to leader
- Performance based reward and punishment are used with emphasis on results
- Information is shared between leaders and subordinates
- Useful in team work

Free rein/ laissez-faire style

- It is individual centered and is also known as laissez-faire style. Under this style, power and decision making is entrusted to the subordinates. Subordinates have complete

freedom of choice and can do as they like. Free rein leaders allow subordinates to decide and do not intervene. Its feature are:

- Leaders use very little power and control. They serve as information center
- Subordinates have decentralized authority and responsibility. They have high degree of independence in decision making
- Subordinates own goal. Their potential is effectively utilized
- Useful in research oriented job

Trait Theory

- ❖ explored the question of "What qualities distinguish an individual as a leader?"
- ❖ This idea that leadership is based on individual attributes is known as the "trait theory of leadership."

**********Leadership Traits:

- Ambition and energy
- The desire to lead
- Honesty and integrity
- Self-confidence
- Intelligence
- Job-relevant knowledge

**********Limitations:

- No universal traits that predict leadership in all situations.
- Traits predict behavior better in "weak" than "strong" situations.
- Unclear evidence of the cause and effect of relationship of leadership and traits.
- Better predictor of the appearance of leadership than distinguishing effective and ineffective leaders.

Management by objectives (MBO)

- Peter F. Drucker proposed this concept
- MBO is a process through which specific goals are set collaboratively for the organization as a whole and every unit and individual within it.
- Each individual's major area of responsibilities in term of expected of results are defined
- General Electric appears to be the first organization that implemented MBO

According to….

- Peter Drucker: MBO is regarded as a system for improving performance, both of individual manager and enterprise as a whole by setting of goals at the corporate, departmental and individual manager's level
- Robert Krether: MBO is a comprehensive management system based on measurable and anticipatively set objective.
- Stephen P. Robbins: A program that encompasses specific goals anticipatively set for an explicit time period with feedback on goal purpose.

Elements of MBO

Most MBO program share the following six elements

- At every organization level, manager's commitment to achieving personal and organizational goals and to the MBO process is required for an effective program
- Effective program should start with the top managers who determine the organizational strategy and set preliminary goals
- In an effective MBO program, each manager and staff member should have clearly defined job responsibilities and objectives
- There should be greater participation of both managers and employees in the setting of goals
- There should be autonomy in the implementation plan
- Managers and employees should periodically meet to review progress toward the objective

Steps in MBO process

- Develop overall organizational goal
- Establish specific goals for various department, subunits and individuals
- Formulate action plans to reach particular goals

- Implement and maintain self-control
- Review progress periodically
- Appraise performance

Benefits of MBO

- It results in greatly improved management
- It forces manager to clarify organizational roles and structures
- It encourages people to commit themselves to their goal personally
- It also aids in developing effective control

Weakness of MBO

- Managers may not understand and appreciate good deal about MBO
- MBO cannot work if those who are expected to set goals are not given needed guideline.
- Managers set goal for short term, seldom for more than a year and often for a quarter or less
- Mangers often hesitate to change objective
- Truly verifiable goals are difficult to set

Management by exception

Management by Exception is a *"policy by which management devotes its time to investigating only those situations in which actual results differ significantly from planned results".*

- Management by Exception is a management style wherein managers intervene only when their employees fail to meet their performance standards. If the personal are performing as expected, the manager will take no action.
- This type of management can be powerful when it is necessary to process lots of data in order to make managerial decisions
- management should pay attention only to exceptional cases where established standards, policies and procedures cannot be followed

This principle says two things;

i.   Managers should not overload themselves with routine and respective type of work. They should be selective and keep time available for exceptional or critical issues, which need their attention.

ii.   Second, the mangers should make big decision first. Being overloaded with petty decision, may mean neglect of more important ones

In short management by exception means selectivity in work and priority in decisions known as employee involvement or participative decision making, encourages the involvement of stakeholders at all levels of an organization in the analysis of problems, development of strategies, and implementation of solutions.

- Employees are invited to share in the decision-making process of the firm by participating in activities such as setting goals, determining work schedules, and making suggestions
- Other forms of participative management include increasing the responsibility of employees; forming self-managed teams, quality circles, or quality-of-work-life committees; and soliciting survey feedback

Participative (or participatory) management

known as employee involvement or participative decision making, encourages the involvement of stakeholders at all levels of an organization in the analysis of problems, development of strategies, and implementation of solutions.

- Employees are invited to share in the decision-making process of the firm by participating in activities such as setting goals, determining work schedules, and making suggestions
- Other forms of participative management include increasing the responsibility of employees; forming self-managed teams, quality circles, or quality-of-work-life committees; and soliciting survey feedback

- It also involves management treating the ideas and suggestions of employees with consideration and respect

- The most extensive form of participative management is direct employee ownership of a company.
- Four processes influence participation
  i. Information sharing
  ii. Training
  iii. Employee decision making
  iv. Rewards

Benefits of Participative management
- By creating a sense of ownership in the company, participative management instills a sense of pride and motivates employees to increase productivity in order to achieve their goals
- Employees who participate in the decisions of the company feel like they are a part of a team with a common goal, and find their sense of self-esteem and creative fulfillment heightened.
- Managers who use a participative style find that employees are more receptive to change than in situations in which they have no voice
- Participation keeps employees informed of upcoming events so they will be aware of potential changes
- Participation helps employees gain a wider view of the organization. Through training, development opportunities, and information sharing, employees can acquire the conceptual skills needed to become effective managers or top executives
- Creativity and innovation are two important benefits of participative management. When all employees, instead of just managers or executives, are given the opportunity to participate, the chances are increased that a valid and unique idea will be suggested

3.4 Learning organization

A learning organization is the term given to a company that facilitates the learning of its members and continuously transforms itself. Organizational learning is an area of knowledge within organizational theory that studies models and theories about the way an organization

learns and adapts. Learning organizations develop as a result of the pressures facing modern organizations and enables them to remain competitive in the business environment. Organization need to learn faster to create a competitive advantage and to develop a customer responsive culture. Learning may be single loop and double loop

i. *single-loop learning*: In single-loop learning, individuals, groups, or organizations modify their actions according to the difference between expected and obtained outcomes

ii. *Double-loop learning*: Double loop learning is the learning about single-loop learning. In double-loop learning, the entities (individuals, groups or organization) question the values, assumptions and policies that led to the actions in the first place; if they are able to view and modify those, then second-order or double-loop learning has taken place

Benefits of learning organization

- Maintaining levels of innovation and remaining competitive
- Being better placed to respond to external pressures
- Having the knowledge to better link resources to customer needs
- Improving quality of outputs at all levels
- Improving corporate image by becoming more people oriented
- Increasing the pace of change within the organization

Five main characteristics of learning organization

i. **Systems thinking:** This is a conceptual framework that allows people to study businesses as bounded objects

ii. **Personal mastery:** The commitment by an individual to the process of learning is known as personal mastery

iii. **Mental models:** The assumptions held by individuals and organizations are called mental models

iv. **Shared vision:** The development of a shared vision is important in motivating the staff to learn, as it creates a common identity that provides focus and energy for learning

v. **Team learning:** Team learning requires individuals to engage in dialogue and discussion; therefore team members must develop open communication, shared meaning, and shared understanding

Barriers of learning organization

- Some organizations find it hard to embrace personal mastery because as a concept it is intangible and the benefits cannot be quantified

- Resistance to learning can occur within a learning organization if there is not sufficient buy-in at an individual level

- Organizational size may become the barrier to internal knowledge sharing. When the number of employees exceeds 150, internal knowledge sharing dramatically decreases.

CHAPTER IV
HUMAN RESOURCE MANAGEMENT

4.1 HUMAN RESOURCE MANAGEMENT

It is a tradition approach to managing people in organization. HRM focuses on Human resource administration, compensation, employee welfare and relations. It is discipline control oriented. HRM is concerned with compliance of policies and rules. According to….

Delenno and Robins: Human resource management is the traditional function responsible for the management of human resources.

U.K. Institute of Human resource Management: Human resource management is an integral part of management concerned with people at work and their relationship within an enterprise.

Michael Jucious: Human resource management is that field of management which has to do with planning, organizing, and controlling various operative functions of procuring, developing, maintaining and utilizing labor force to achieve organizational objective.

4.1.1 Objectives of Human resource management
- To ensure that organizations get the right type of people, in right quantity, at right time and places
- To best utilize organizational manpower
- To create and maintain an organizational climate conducive to the development of people
- To establish desirable working relationship among the members of employees
- To maintain a high morale be ensuring the development of highly effective work Group.

4.1.2 Functions of Human resource management
- *Acquisition function:* The prime function of PM is to ensure that it has the right number and kind of people, at the right places and time. These people work to accomplish goals of the organization. This function includes recruitment, selection, socialization, job analysis etc.

- *Development function:* This function ensures proper competencies of employees to handle jobs. The need for development function arises because competent employee will not remain competent forever and employee would be minimally qualified upon entering the organization. The major development functions of PM are employee training, management development and career development.

- *Utilization function:* This function is concerned with using people productively. It ensures willingness of employees for increasing productivity by doing jobs effectively. The major utilization function of PM includes motivation, performance appraisal, and compensation management.

- *Maintenance function:* This function ensures retention of competent employees in organization. It is concerned with providing those working conditions that employed believes are necessary in order to maintain their commitment to the organization. The major maintenance function of PM is employee discipline, labor relations and employee welfare.

4.2 Recruitment

Recruitment refers to the process of attracting, screening, and selecting qualified people for a job. Recruitment is the process of matching the need of applicants and organization. Recruitment is the process of findings qualified people and encouraging them to apply for work with the organization. It is concerned with finding right people for right positions at the right time. According to E.W. Flippo: "Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs".

Major stages in recruitment include:

i. sourcing candidates by advertising or other methods

ii. Screening potential candidates using tests and/or interviews

iii. selecting candidates based on the results of the tests and/or interviews

iv. on-boarding (process of helping new employees become productive members of an organization) to ensure the candidate is able to fulfill their new role effectively

4.2.1 Factors affecting recruitment

- *Size of organization*: A large organization will find itself recruiting potential applicants much more often than smaller organization
- *Employment conditions in the community*: Employment conditions in the community where the organization is located will influence how much recruiting takes place
- *Working conditions*: Poor working conditions lead to more turnovers of employees. This demands frequent recruitment efforts
- *Salary and benefits offered*: Salary and benefits offered by the organization also influence turnover of workers. This also influences the need for future recruiting.
- *Growth factor*: Organization that are not growing or that are actually declining will find little to recruit. On the other hand, organizations that are growing rapidly will find recruitment major Human resource functions

4.2.2 Sources of recruitment

'Known devils are better than unknown angles'

i. **Internal sources**

It involves recruiting within the organization. It is also called internal recruiting.It considers present employees as candidates for opening of higher-level jobs in the organization

Merits of internal sources

- Possibility of better selection is high
- Builds higher level of employee morale
- Less time is needed for employees to adapt to new work environment
- Less costly than external recruitment
- Employees feel secure which increase their loyalty and commitment
- It encourages good ambitious individuals
- Talent can be fully utilized
- Regular promotional avenues for employees

Demerits of internal sources

- Limits the choice to internal sources only
- Most internal; recruitment are based on seniority but not on merit

- The morale of employees can be adversely affected by limited opportunities for internal recruitment
- Favoritism may take place
- Management becomes stagnant owing to the lack of new ideas, knowledge and enthusiasms
- Inbreeding
- Bone of contention

ii. **External sources:**

It involves recruiting from outside the organization. It is also called external recruitment. It gets people outside the organization to apply for jobs. The major external sources are employment exchange, students from reputed educational institutions, candidates referred by unions, walk inns, advertising, employment agencies, labor market, referral, professional organization, etc.

Merits of external sources

- Management has greater choice
- Injection of fresh blood: Facilitates inflow of new idea, knowledge and skills
- Motivating internal employees to work hard and compete with external candidates
- Increases adoptability to external changes
- Balances human resources mix
- Fairness in recruitment is possible

Demerits of external sources

- Very costly and time consuming
- Adversely affects the morale of current employees
- More time will be needed to new employees to adopt to new work environment
- May result in wrong selection of employees

4.2.3 Methods of recruitment

Internal methods of recruitment

i.   Promotions and transfers: changes from lower level to higher level(changes in duties, responsibilities, status and values)

ii. Job posting: It involves announcing job openings to all current employees. Vacancies are announced in bulletin board; in-house news sellers; newspaper; circulars; e-mails etc.

iii.   Employee's referrals: This is nomination by superiors. It is a word of mouth recruitment

iv.   Human resource inventory search: It is a search of skills inventory currently employed in the organization. It tells management what individuals can do

Direct method

Campus recruitment

Guidelines for campus recruiting;

- Shortlist campuses
- Choose recruiting team carefully
- Pay smartly, not highly
- Present a clear image
- Do not oversell yourself
- Get in early
- Not everyone fits the bill

Indirect methods

- *Advertising*: This is widely used method. Its media can be newspaper (print media); billboard or poster (visual media); radio (audio media); or television, cinema (audiovisual media). Advertising can be want ads or blind box ads.

Third party methods

- ***Employment agencies/exchange:*** They can be operated by the government; by nonprofit organization, or by privately owned agencies. Management consulting firms are used for recruiting senior managerial level
- Employee referrals: Current employees recommend their friends and relatives from outside the organization for hard-to-find job skills.
- Write-ins: They send written enquiries in search of job.
- Cyberspace: Prospective candidates send their bio-data through internet
- Trade unions: They serve as job referrals for recruitment of semi-skilled workers
- Other external methods: gate hiring, Labor contractors; older workers; retired Human resource; etc.

4.3 JOB ANALYSIS, JOB SPECIFICATION AND JOB DESCRIPTION

4.3.1   Job Analysis

Job analysis is the process of determining the task that makes up the job. It is the procedure through which the duties for different positions are determined. It also tells about the characteristics of people who should be hired for them. It determines the skills; abilities and responsibilities that are required of an individual to successfully accomplish the job. It is systematic investigation of the tasks, duties and responsibilities necessary to do a job

Job task: identifiable work activity carried out for a specific purpose. E.g. typing a letter

Job duty: is a larger work segment consisting of several tasks that are performed by an individual. For e.g. pick up, sort out and deliver incoming call.

Job responsibilities: obligations to perform certain tasks and duties.

According to W. French: "Job analysis is the systematic investigation of job content, the physical circumstances in which the job is carried out and the qualifications needed to carry out job responsibilities. Job analysis has three components; job description, job specification and job performance standards".

Uses of Job analysis

  i.   Human resource planning
  ii.   Recruitment
  iii.   Selection
  iv.   Placement and orientation
  v.   Training
  vi.   Counseling
  vii.   Employee safety
  viii. Job design and re-design
  ix.   Job evaluation

Process of Job analysis (steps)

  i.   Organizational analysis: linkage between jobs and organizational objectives
  ii.   Collection of job analysis data: required behavior and Human resource qualifications needed to carry out job

iii.   Selection of representative positioned to be analyzed

iv.   preparation of job description

v.   Preparation of job specification

4.3.2   Job description

Job description is the written statement of what the jobholder does. It provides information about job content, job environment and conditions of employment. It is a profile of the job. It is an overall summary of job requirements. There is no standard format in writing a job description but all job description includes**:**

- Job identification, job title, level of job
- Location of job (department/physical location)
- Relationship with others
- Job summary
- Duties and responsibilities
- Authority and accountability
- Working conditions
- Machine and material used

4.3.3   Job specification:

Job specification states human resource characteristics and qualifications needed to perform the job. It shows what kind of person to be recruited. It identifies knowledge, skills and abilities needed to do jobs effectively. It is a profile of human characteristics need for performing the job. It is an overall summary of worker requirements. Job specification provide following information:

- Education and training
- Experience
- Physical health
- Skills
- Communication, computer and driving, etc
- Abilities (physical and mental)
- Maturity (capacity to assume responsibilities)

4.4 HUMAN RESOURCES DEVELOPMENT: TRAINING

Training is the act of increasing knowledge and skills of employees for doing a particular job. Training is an organized way of increasing the working abilities of a jobholder. Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve his ability to perform on the job. Training serves as a balancing factor between employee's capabilities and job requirement. The major outcome of training is learning.

4.4.1 Training Vs development

Training focuses on specific skills and behavior(technical function) such as learning to fire rifle, learn to play football etc. whereas development focus on non-technical functions such as problem solving, decision making etc. Training helps employees do their present jobs whereas development helps mangers handle their future responsibilities. Training is related to job whereas development is related to people. Training is one-shot deal whereas development is continuous process. Training is reactive whereas development is proactive.

4.4.2 Features of training

- Increases knowledge and skills for doing a particular job
- Focuses attention on the current job
- Concentrates on individual employees
- Tends to be more narrowly focused and oriented toward short-term performance concerns

4.4.3 Benefits of training

i. Helps employees to perform their job effectively
ii. Helps to prepare existing employees for higher level jobs
iii. Aids productivity and quality improvements
iv. Heightens employee morale and job satisfaction
v. Improves labor relations and organizational climate
vi. Better safety; reduces accidents
vii. To make employees more mobile and versatile

4.4.4 Types of training

i. **Skill training**

(basic skills such as reading, writing, computing, speaking, listening, managing oneself, working as a part of team etc)

Managers should do;

- Explain how the training will help
- Relate goal
- Participant response
- Learning by doing
- Give feedback

ii. **Refresher training**:

It involves training in the use of new methods and techniques to cope with obsolescence (being out of date.)

iii. **Orientation training**:

- It is also known as induction training.
- It seeks to introduce the new employee to the organization and its working environment

iv. **Cross-functional training**:

Training employees to perform operations in areas other than their assigned job such. One approach is job rotation.

v. **Promotional training**:

It increases knowledge and skills of existing employees to perform higher level job

vi. **Job training**:

It increases knowledge and skills to improve performance on current job.

vii. **Remedial training**:

It overcomes the shortcomings in the behavior and performance of old employees. It is corrective in nature

viii. **Safety training**:

It involves institution in the use of safety devices and to promote safety consciousness for reducing accidents and damages to machinery

ix. **Team training:**

Covers task and group processes. E.g. crossing a jungle, making a building etc. training basically focuses on;

- How members should communicate with each other
- How they have to co-operate and go ahead
- How they should deal with conflict situations
- How they should find their way using collective wisdom and experience

x. Creativity training:

Thinking out of the box. In creativity training, trainers often focus on three things

a. Breaking away: break away from boundaries, restrictions, assumptions

b. Generate new ideas: look problems from all possible angle

c. Delaying judgment: ideas to grow a little

xi. Diversity training

(race, gender, age, disabilities, lifestyles, cultures, education, backgrounds). Training program covers two things;

a. Awareness building

b. Skill building

xii. Literacy training:

(Message, tutorial programs, reading and writing exercise)

 (Message, tutorial programs, reading and writing exercise)

4.4.5 Training method

i. On the job training

ii. Off-the-job training

I. On the job training

Methods of on-the-job training

i. Job instruction training: It is directly related to specific work situation. It is a systematic step-by-step approach to on the job training to teach new task. Four steps involved in job instruction training are ; Preparation, Presentation, Performance try out and follow up.

ii. Apprenticeship training: Employees learn by working with those already skill in their job. Some examples are plumbers, carpenters, electricians, and accountants. Its duration varies job to job generally 2 to 5 years.

iii. Internship training: It is provided to skilled and technical Human resource. The trainee is interned in organization for a specified period and works as an employee. Students of technical subjects generally undergo internship training.

iv. Coaching: learning by doing

v. mentoring: senior grooming junior

vi. Job rotation: changing job types

vii. Committee assignment: trainees are asked to solve an actual organizational problem. They have to work together and offer solution.

II. Off-the-job training:

   The training takes place outside the work situation. It is mostly classroom based.

Method of off-the-job training:

i.   **Simulation exercises/vestibule training:** Simulation is abstraction of real work conditions in the lab or classroom. The trainee is placed in an artificial environment that closely resembles actual working conditions. Computer modeling is an example. Airlines use simulation to train pilots. It can be computer modeling or vestibule training.

ii. Programmed instruction: It can be in the form of programmed text or manuals. It condenses information to be learned into organized and logical sequences. Trainees are required to provide feedback on their learning progress. Computer assisted instructions and interactive video training are widely used for the delivery of programmed instruction.

iii. Lecture/conference: It is based on talking and showing. It is oral communication of specific information by instructor to trainees. It is teacher-oriented training by telling. Audio-visual tools are used.

iv. Experimental/ role-play: They are short structured "learning by doing" experiences. Role lay is an example of such exercises. Role-plays are human interaction involving realistic behavior in imaginary situations. Trainees act roles to learn behavior appropriate for the job.

4.4.6 Training process

Training process consists of five steps;

i. Needs Analyses: Training should be given when there is a training need. Training need is a gap between the existing capabilities of an employee and the requirement of the job. The purpose

of needs analysis step is to identify the specific job performance skills needed, to analyze the skills and needs of the prospective trainees and to develop specific, measurable knowledge and performance objectives.

ii. Instructional design: In this step, the actual content of the training program is compiled and produced including workbooks, exercises and activities. It should ensure quality and effectiveness. The material should be systematically ordered.

iii. Validation: Next is validation step. It ensures that the bugs are worked out of the training program by presenting it to small representative audience. Unwanted items are eliminated. It results in program effectiveness.

iv. Implementation: Fourth, the training program is implemented. It can be on-the-job or off-the-job. It also focuses on presentation of knowledge and skills in addition to training context.

v. **Evaluation and follow-up:** There should be an evaluation and follow-up step in which the program's success or failure are assessed. The program's success should be assessed according to reaction, learning, behavior, and results.

4.5 PERFORMANCE APPRAISAL

Performance appraisal is systematic formal appraisal of an employee's performance on the job and his potential for assuming future responsibilities. It assesses the relative worth of each employee. According to **Edwin B. Flippo**: "PA is a systematic, periodic and so far as humanly possible an impartial rating of employee's excellence in matters pertaining to his present job and to his potentialities for a better job". According to Dale S. Beach: "PA is the systematic evaluation of individuals with respect to their performance on the job and their potential for development"

4.5.1 Performance appraisal methods:

i. Job standard-oriented method: It is based on absolute standards. They can be of the following types: Here the rater writes a

- ❖ **Essay method or free form** narrative essay describing an employee's (a) strength and weakness; (b) job performance during appraisal period;(c) technical effectiveness; (d) leadership ability; (e) promotional potential; (f) training and development needs; (g) suggestions for improvement. This essay is based on qualitative impression on the rater.

❖ **Checklist method**: Here, a list of behavior is developed and the rater checks off. It is widely used by government office. It can be simple or weighted.

✓ Simple checklist: It is a list of descriptive statement of employee behavior and characteristics. The rater checks off yes or no behavior that apply to the employee.

✓ Weighted checklist: The statement in the simple checklist is weighted by assigning points according to importance.

❖ Forced choice method: The rater is forced to choose between two or more statements that are most or least descriptive of the employee being appraised. It consists of special type of checklist. Checklists items are arrange in groups.

❖ **Critical incident method:** This method focuses on job performance. This consists of written description of effective or ineffective worker behavior related to performance in critical situations. Such situations are called incidents. The supervisors record such incidents. The critical incidents are analyzed to evaluate employees' performance.

• **Rating scale method (graphic rating method)**: It is the most widely used method of performance appraisal. The rater provides a subjective evaluation of an employee's performance and traits along a scale. The following factors can be evaluated- quality and quantity of work, job knowledge, attendance, loyalty, dependability, honesty, integrity, attitude, etc. A printed form is generally used for evaluation

• Behaviorally anchored rating scale: This method is a combination of critical incident method and rating scale method. Here, the rating scale is anchored with critical incidents to make the evaluation job specific.

ii. Comparison-oriented methods: They are based on relative standards. They can be:

• **Individual ranking:** The evaluator lists the employees in a rank order from highest to lowest on the basis of overall performance. Only one employee can be best or worst.

• **Group under ranking:** The evaluator places employees in particular classification such as top 20%, second 20%, bottom 20%, etc.

• **Paired comparison:** The evaluator compares each employee with every other employee on a one-on-one basis in terms of overall performance. Pairs of employees are formed. Better performer in each pair is identified. The overall rank of employee is determined by the number of times chosen as better performer in total pairs

iii. Objective-oriented method: It is based on objective. It can be:

- **Management-by-objective:** Performance appraisal is based on how well the time-bound objectives have been accomplished. The manager and the subordinate jointly set the objectives. The emphasis is not on activities but on results achieved.

- **Appraisal interview:** It is a face-to-face discussion and review of performance appraisal with the employee. It is conducted after the performance evaluation has been formally done. Generally, it is conducted on one-to-one basis.

4.5.2 Importance of performance appraisal

- Performance feedback: PA helps to identify job related strengths and weakness of employees. Feedback can be given to employees as cut their performance rating. This helps to enhance employee effectiveness.

- Reward management: PA provides an objective basis for decision regarding reward system. Pay rise is generally based on performance of employee.

- Training and development decision: PA indicates performance deficiencies in employees. They serve as a guide for identifying training and development needs.

- Career planning: PA is central to an organization' career planning process because it provides a good opportunity to review person's career plans in light of his/her exhibited strengths and weakness.

- Supervisory understanding: PA encourages supervisors to observe the job performance of their subordinates. This helps to develop good communication and understanding between the supervisors and subordinates.

- Validation of selection tests: PA results can be compared with the scores of selection tests to find out the validation of selection tests.

CHAPTER V

INTRODUCTION TO INDUSTRIAL RELATIONS

5.1 INDUSTRIAL RELATION

IR generally means relationship between management and workers or the relationship between employer and employee in an organization.IR, in modern sense is a dynamic concept. It is concerned with managing interrelationships among three actors: workers represented by trade union; employers represented by employers' associations; and society represented by the government and various pressure groups. Traditionally IR used to be concerned with the relations that existed between employer and labor

Necessity of IR

• To promote and develop healthy labor-management government relations to achieve overall goals of national development

• To minimize industrial conflict, tension and disruptions

• To establish favorable work climate through effective commutation and participative culture

• To develop and maintain team spirit.

5.2 TRADE UNION

Trade union is a formal association of workers that promotes and protects the interests of its members through collective action. They greatly affect the important sectors of the economy. Trade unions are the associations of workers. They are formed to protect, maintain and improve economic, social and vocational/professional interests of their members and to strength their bargaining power.

According to…….

Dale Yoder: Trade union is continuing long-term association of employee, formed and maintained for specific purpose of advancing and protecting the interest of members in their working relationship

5.2.1 Characteristics of trade union

• Trade unions are association of workers

• Unions are goal oriented

• A union is relatively permanent organization

- Members of the union work collectively as a group
- Members of the union seek to promote their mutual interests
- A union operates through collective bargaining
- Trade unions are dynamic and are ready to meet challenges emanating from the change in technology and environment

5.2.2 Objectives of trade union

- Wages and salaries: bargaining the pay scale
- Working conditions: bargain for facilities such as lighting and ventilation, sanitation, rest rooms, drinking water, refreshment, minimum working hours, leave and rest, holidays with pay, social security
- Discipline: maintain discipline in organization
- Personnel policies: fight against recruitment, selection, promotions, transfers, trainings etc
- Welfare: welfare of workers
- Employee- employer relationships: for peace
- Obtain political power
- Negotiating machinery
- Safeguarding organizational health and the interest of the industry: reduces absenteeism and labor turnover, maintain harmonious industrial relations

5.2.3 Function of trade union

i. **Militant or protective or intramural function:**

- They include welfare schemes of unions for their members only. They are also called militant function, are the bargaining points. They include wage, rest interval, safety, working conditions, continuity of employment
- Protecting the worker interests and direct action such as strikes

ii. Fraternal or extramural function

- Include providing financial and non-financial assistance to workers during strikes and lock outs
- Extension of medical facilities during casualties, provision of education, housing facilities, social and religious benefits

- Trade unions raise funds in the form of membership fee and grant a number of benefits to the members

iii. Political function

- They can exert political power to fulfill their demands from the management and government
- Affiliating the union to a political party, collecting donations, seeking the help of political parties

iv. Social functions

- Educating the customers

Union structure

i. Craft unions: it is vertical, whose members do same type of work. Workers have specialized skills and trainings

ii. Industrial union: it is vertical. All skilled and unskilled are combined

iii. General union: formed in particular region

iv. Federations: combination of all who affiliate

Trade union movement in Nepal

- Trade union movement in Nepal started rather late. The movement can be divided into three historical periods such as described below:

i. During the Rana autocracy (1816-1950):

- The period of 104 years between 1816 and 1950, when the Rana's took the reign of country in their own hands by eclipsing the royal authority, is characterized as black period in the history of Nepal. They enjoyed unrestrained political powers.
- During the autocratic Rana regime, which ended in 1951, the growth of trade union such as Biratnagar Workers Union, Independent workers Union and Collon Mills Union emerged secretly and were preoccupied with political activities.

ii. During democratic innovation to Panchayat system (1951-1961)

- The new political set up was established in 1951 after the overthrow of Rana regime. Rule of law was restored. This granted the constitutional right of freedom to form unions.
- Thereafter, labor unions mushroomed at the national and plant level till1959. But all the politically motivated class organizations including labor unions were banned in 1960.

- In the process, the existing labor unions were also closed down. But the labor class was provided as one of class organizations under the National Guidance Act, 1961.
- The labor organization was accordingly organized at different levels under the government initiative and control. But multi-unionism was prohibited under the law. Nepal Factory and Factory workers' Act 1959 was enacted during this period.

iii. Multiparty democracy and onwards

- Immediately after the restoration of multiparty democracy in the year 1990, the worker force began coming forward united with several demands like wage-hikes, job security, social welfare along with other important issues like full freedom of association for introducing industrial democracy in the country.
- Recently, the labor Act, 2048(1992) and Trade Union Act, 2049(1993) and Rules have been enacted. The said acts have facilitated registration and recognition of trade unions in accordance with legal provisions. The multiplicity of trade unions has already emerged. Inter-union rivalries are common.

5.2 COLLECTIVE BARGAINING

Collective bargaining is a process between employers and employees to reach an agreement regarding the rights and duties of people at work. It is collective because the union represents the workers as a bargaining agent. Collective bargaining aims to reach a collective agreement which usually sets out issues such as employees pay, working hours, training, health and safety, and rights to participate in workplace or company affairs. CB is a dynamic process, which can be conducted in a three levels: plant level; industry level; and national level. Collecting bargaining can be advantageous for both workers and employers

The CB agreement lays down in specific terms and conditions of employment. It has two aspects: it lays down employer employee relations on the job through a collective agreement; it interprets and administers the collective agreement. During the bargaining process, employees are typically represented by a trade union. The union may negotiate with a single employer (who is typically representing a company's shareholders) or may negotiate with a federation of businesses, depending on the country, to reach an industry wide agreement.

5.2.1 Provision of CB

- Union recognition
- Union security
- Wage rates
- Conditions of employment
- Benefits
- Discipline
- Strikes and lock outs
- Seniority clause
- Grievance handing
- Management rights
- Union activity
- Health and safety

5.2.2 Importance of CB

- It promotes and protects the interests of both parties and empowers them economically
- It helps to establish uniform terms and conditions of employment to prevent disputes
- It helps settle disputes when they arise
- It lays down norms and rules for interrelationships between labor and management
- It helps establish favorable work climate
- It promotes participation and democratic leadership

5.2.3 CB process (five steps)

i. Preparing for negotiation:
- This is homework phase for both union and management.
- Required information can be collected internally or externally.

ii. Contract negotiation:
- Both parties meet at the bargaining table.
- Union delivers a list of demand to management.
- The negotiation continues formally. It results in an oral agreement.

iii. Agreement:
- The oral agreement is converted into written agreement.

iv. Union rectification:

- The union negotiators submit the agreement for approval from their associated members.

- Upon acceptable, the agreement becomes a contract.

v. Contract administration:

- Union members and management are informed about the contract.

- Thereafter, it is implemented and monitored.

5.3 EMPLOYEE SAFETY AND HEALTH

who is responsible for health and safety?

Employer's responsibility

- providing a safe workplace. This includes physical work environment and the equipment and any chemicals you use, as well as the work methods and processes you use to do your job

- checking your workplace regularly for anything that may cause illness or injury, and fixing any problems as soon as possible

- providing you with the information, instruction, supervision and training you need to do your job safely

- talking with you, or talking to your elected employees' safety representatives about health and safety issues.

The factory worker's responsibility

- follow any safety directions and work instructions your employer or supervisor gives you

- work with your employer and anyone else — such as your co-workers, your health and safety representative or a Workplace Standards Tasmania inspector — who can make your workplace safer

- use any personal protective equipment and clothing (such as gloves, earmuffs and safety boots) in the correct way

- report any hazards, accidents or near misses immediately for your employer or supervisor to investigate.

There are also things you must *not do:*

- deliberately misuse or interfere with equipment

- remove guarding from machinery unless you and others have followed the necessary specific safe operating procedures

- be adversely affected by alcohol or recreational drugs (tell your employer if you are taking any prescription medication that could affect your ability to work safely).

S: Spot the hazard

A: Assess the risk

F: Fix the problem

E: Evaluate the results

5.4 ACCIDENT (SAFETY PROBLEMS AND REMEDIES):

- The major factor causing safety and health Issues is accident
- Accident is an unintentional or unexpected happening that results in injury, damage, harm or loss.

Cause of accidents:

i. *Chance occurrence*: They happen any time and are uncontrollable

ii. *Unsafe conditions*:

- Improperly guarded equipment
- Defective equipment
- Hazardous procedures
- Unsafe storage
- Improper illumination
- Improper ventilation

ii. *Unsafe acts (human causes):* carelessness, intoxication, daydreaming, and inability to do the job or other human deficiency, fatigue

How to prevent accidents (preventing measure)?

- Reducing unsafe conditions
- Reducing unsafe acts through selection and placement

Health and safety Act:

- The major factor causing safety and health issues is accident. Of course, accidents can and do occur on many jobs. To overcome employees safety and health issues in working situation government of various countries have passed Occupational *safety and Health Act* in their own context.
- This acts fixes the safety and health standards.

- Standards exist for such diverse conditions as;
- noise level
- air impurities
- Physical protection equipment
- the height of toilet partition
- and the correct size of ladders.

This act established comprehensive and specific health standards, authorized inspection to ensure the standards.

Compensation

- Compensation is a systematic approach to providing monetary value to employees in exchange for work performed.
- Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.
- Compensation may be adjusted according to the business needs, goals, and available resources

Compensation may be used to:

- recruit and retain qualified employees.
- increase or maintain morale/satisfaction.
- reward and encourage peak performance.
- achieve internal and external equity.
- reduce turnover and encourage company loyalty.
- modify (through negotiations) practices of unions

Different types of compensation include:

- Base Pay
- Commissions
- Overtime Pay
- Bonuses, Profit Sharing, Merit Pay
- Stock Options
- Travel/Meal/Housing Allowance

Benefits including: dental, insurance, medical, vacation, leaves, retirement, taxes etc

CHAPTER VI

HUMAN BEHAVIOR AND CONFLICT MANAGEMENT

Human interaction: It is a mutual action which concerns each of two or more persons

Human Interaction Management (**HIM**) is a set of management principles, patterns and techniques complementary to Business process management. HIM provides process-based support for innovative, adaptive, collaborative human work and allows it to be integrated in a structured way

What is group?

Two or more individuals, interacting and interdependent who have come together to achieve a common goal

Intergroup and Intragroup

- Intergroup occur between two or more social group whereas intragroup occurs within an institution and community
- Group cohesiveness in intragroup is better than in intergroup
- At work, there are a variety of groups representing different functional, professional, departmental and economic interests. These groups combine together to form a intergroup
- Intragroup as well as intergroup conflict affect the performance of the group
- Individuals or groups may have differences of opinion, so the conflict may arise
- Interdependence, task uncertainty and time-goal orientation are the three important issues that influence intergroup relations
- During the intragroup collaboration, more focus is on the structure and behavior whereas in intergroup collaboration more focus is on the function

NEGOTIATION

Negotiation is the interactive social process in which people engage, when they aim to reach an agreement with another party or parties on behalf of themselves. Negotiation is a resolution of a disagreement using give and take within the context of a particular relationship. Negotiation is a communication process used to put deals together or resolve conflicts. It is a voluntary, non-binding process in which the parties control the outcome as well as the procedures by which they will make an agreement.

Characteristics of Negotiation:

- Negotiation involves two or more parties who need each others involvement achieving a desired outcome. There is a common interest that connects the parties.
- The parties start with different opinions or objectives. It is these differences that prevent agreement.
- The parties are willing to co-operate and communicate to meet their goals.
- The parties can mutually benefit or avoid harm by influencing each other.
- The parties realize that any other procedure will not produce desired outcome.
- The parties think that negotiation is the best way to resolve their differences
- Even if they do not get their ideal outcome, both retain the hope of an acceptable outcome.

Distributive negotiation: there is a limit or finite amount in the thing being distributed or divided amongst the people involved. Hence, this type of negotiation is often referred to as *'The Fixed Pie'* e.g. when we're buying a car or a house.

Integrative negotiation (everybody wins something): Usually involves a higher degree of trust and a forming of a relationship. Both parties want to walk away feeling they've achieved something which has value by getting what each wants. Ideally, it is a twofold process. It is often described as the win-win scenario.

- *Negotiation may be day to day/managerial negotiations, Commercial Negotiations, Legal Negotiations*
- *Styles of Negotiation are Co-operative Style, Competitive Style and Problem-solving Style*

The eight stage negotiation process:

i.   Prepare: Know what you want. Understand them.

ii. Open: Put your case. Hear theirs.

iii. Argue: Support your case. Expose theirs.

iv. Explore: Seek understanding and possibility.

v. Signal: Indicate your readiness to work together.

vi. Package: Assemble potential trades.

vii. Close: Reach final agreement.

viii. Sustain: Make sure what is agreed happens.

FACILITATION

- "to carry out a set of functions or activities before, during and after a meeting to help the group achieve its own objectives"
- Facilitation is the process of enabling groups to work cooperatively and effectively
- In particular, facilitation is important in circumstances where people of diverse backgrounds, interests and capabilities work together.

Good facilitation includes; (facilitator role)

- A purpose and an agenda
- Introduce people: use name tags, if possible
- Look after physical needs: food, bathroom, room etc
- Ground rules: All ideas are valid, Have your say and listen to others, All participants are equal, No mobile phones, One meeting at a time, Be punctual.
- An open environment
- Involving all participants
- Pay attention: Do not get side-tracked into long discussions with individuals.
- Lead by example
- Relax

Problems Facilitators May Encounter

i. **Quiet/Shy Participant** - a group member is not participating as the facilitator thinks they should. This may be because the participant is:

– shy, timid or insecure

- indifferent to the topics being discussed
- bored
- feeling superior
- distracted by pressing issues outside the meeting
- having trouble understanding the topic under discussion in conflict with other group members

Possible Solutions:
- make eye contact with the participant and ask a simple question
- involve the participant in a small subgroup discussion and ask them for an oral summary of their discussion
- recognize his/her contribution immediately, sincerely and encourage more
- ask during a break or in private about why the participant is so quiet
- suggest that everyone takes a turn in sharing their opinion

Overly Talkative Participant - a group member talks too much, rambles on repeatedly and is generally dominant. This may be caused by: a natural need for attention
- being overly prepared/unprepared for the meeting
- wanting to flaunt a large vocabulary or extensive knowledge
- having the most authority

Possible Solutions:
- glance at your watch whilst the participant is speaking
- during a pause for breath, thank the participant for their comments, and restate the agenda
- emphasizing relevant points and time limits
- ask the participant to explain how their comments adds value to the topic in hand
- reflect their comments back to the group
- remind everyone of the time limit

Side Conversation - a group member is disrupting the meeting by being involved in too many side conversations. This may be because the participant:
- feels the need to introduce an item not on the agenda
- is bored with the meeting

- has a point to raise that they feel makes other items on the agenda less important
- is discussing a related topic but not being heard
- wants to be the centre of attention

- **Possible Solutions**:
  - ask the participant to share their idea with the group
  - get up and casually walk around near the participants having the side conversation
  - call the participant by name and ask if they want to add the topic of their discussion to the agenda
  - restate a recently made point and ask for the participants opinion

Overly Disagreeable Participant - a group member is highly argumentative or generally antagonistic. This may be because they:

- have a combative personality
- are upset by others opinions or a specific meeting issue
- are a show-off by nature
- are unable to make suggestions constructively
- feel that they are being ignored

Possible Solutions:

- Paraphrase the participant's comments, and after their response, recap his/her position in objective terms
- find merit in the participant's suggestions, express agreement, and then move on
- respond to the participant's comments, not the attack
- open the discussion of the participant's comments to the group mention that, due to time constraints, the comments can be put on the agenda for the next meeting

ARBITRATION
- Arbitration is the most definitive type of third party intervention.
- It is a process in which a dispute is submitted to impartial outsiders who makes a decision, which is usually binding on both parties

- It is a process where there is a hearing and determination of a cause between parties in controversy by a person or persons chosen by them or appointed under a statutory provision
- Arbitrator is a third party with the authority to dictate an agreement
- *Delenzo & Robbins*: Arbitration means the hearing and resolution of a labor dispute usually performed by neutral third party
- Arbitration may be voluntary or compulsory
- Under voluntary or requested arbitration, the parties to dispute can and do themselves refer voluntarily any dispute to arbitration before it is referred for adjudication. The decision may be binding on the conflicting parties
- Under compulsory arbitration, the parties to dispute are required to accept arbitration without any willingness on their part. When voluntary arbitration facts, compulsory arbitration is applied. It is forced on the parties by law or contract. The main objective of arbitration is not to compromise or but adjudication

Process of arbitration:
- Parities to conflict agree in writing refer the dispute to arbitration. The arbitrator should be a neutral third party. The parties to conflict are workers and employers.
- Arbitrator examines the dispute through attendance of witness and investigations. The dispute is studied in detail from relevant perspectives
- The arbitrator finally makes decision to resolve the conflict. The decision is now ready to accept by the conflicting parties. This decision should rest on equity and justice

MEDIATION
- In mediation, two or more people come together to try to work out a solution to their problem
- A neutral third person, called the mediator, is there to help them along
- Most mediators have some training in conflict resolution, although the extent of their training varies greatly
- Unlike a judge or an arbitrator, the mediator does not take sides or make decisions
- The mediator's job is to help the disputants evaluate their goals and options and find their own mutually satisfactory solution

- In court, a judge or jury looks back to determine who was right and who was wrong, then imposes a penalty or award based on its decision. Because the mediator has no authority to impose a decision, nothing will be decided unless both parties agree to it.
- It is less formal than a trial or arbitration, but there are distinct stages to the mediation process

Mediation process

Stage 1: Mediator's Opening Statement: the mediator introduces everyone, explains the goals and rules of the mediation, and encourages each side to work cooperatively toward a settlement.

Stage 2: Disputants' Opening Statements: Each party is invited to describe, in his or her own words, what the dispute is about and how he or she has been affected by it

Stage 3: Joint Discussion: The mediator may try to get the parties talking directly about what was said in the opening statements. This is the time to determine what issues need to be addressed

Stage 4: Private Caucuses: The private caucus is a chance for each party to meet privately with the mediator (usually in a nearby room) to discuss the strengths and weaknesses of his or her position and new ideas for settlement

Stage 5: Joint Negotiation: After caucuses, the mediator may bring the parties back together to negotiate directly

Stage 6: Closure: This is the end of the mediation. If an agreement has been reached, the mediator may put its main provisions in writing as the parties listen. The mediator may ask each side to sign the written summary of agreement or suggest they take it to lawyers for review. If the parties want to, they can write up and sign a legally binding contract. If no agreement was reached, the mediator will review whatever progress has been made and advise everyone of their options, such as meeting again later, going to arbitration, or going to court

Key Qualities of the Mediation Process

Voluntary

Collaborative

Controlled

Confidential

Informed

Impartial, Neutral, Balanced and Safe

Self-Responsible and Satisfying

LITIGATION OR LEGAL ACTION

- Litigation is the process of contesting a legal action in court
- Litigation is formal with attorneys usually present, the possibility to submit evidence and the option to appeal a judge's decision
- A dispute is in 'litigation' (or being 'litigated') when it has become the subject of a formal court action or law suit.
- "A contest, authorized by law, in a court of justice, for the purpose of enforcing a right."
- "The term litigation encompasses the act of carrying on a legal proceeding. A legal proceeding connotes the resolution by a judicial tribunal of an issue between two parties."
- The biggest differences between arbitration and litigation are that arbitration is private, informal and there is no possibility of an appeal to the arbitrator's decision
- Arbitration is also much quicker and cheaper than litigation, which takes place in a public courtroom with an appointed judge presiding over the case