

## **Definition- ADMINISTRATION**

“Administration means the overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects.” – Theo Haimann

“...[It is] guidance, leadership and control of the efforts of the groups towards some common goals.” – William H. Newman

The activities that relate to running an organization.

## **Administration vs Management**

Administration deals with the activities of higher level/top level: setting up of objectives and crucial policies of the organization

Management involves conceiving, initiating and bringing together the various elements: coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals

In short, it is the act or function of putting into practice the policies and plans decided upon by the administration.

## **Administration vs Management**

The difference can be summarized under two categories:

Functions and Usage/Applicability

### **On the Basis of Functions**

BASIS	MANAGEMENT	ADMINISTRATION
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals	It is concerned with formulation of broad objectives, plans and policies
Nature	Management is an executing function	Administration is a decision-making function
Process	Management decides who should do it and how he should do it	Administration decides what is to be done and when it is to be done.
Function	Management is a doing function because managers get work done under their supervision	Administration is a thinking function because plans & policies are determined under it
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & Lower level function	Top level function

**On the Basis of Usage**

BASIS	MANAGEMENT	ADMINISTRATION
Applicability	It is applicable to business concerns, i.e. profit-making organization	It is applicable to non-business concerns, i.e. clubs, schools, hospitals, etc.
Influence	The management decisions are influenced by the values, opinions, beliefs and decisions of the managers	the administration is influenced by public opinion, government policies, religious organizations, customs, etc.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries and wages)	Administration represents owners of the enterprise who earn return on their capital invested and profits in the form of dividend.

Practically, there is no difference between management and administration. Every manager is concerned with both—administrative and management function and operative function. However, the managers who are higher in the hierarchy denote more time on administrative function and the lower level denote more time on directing and controlling worker's performance.

**The Evolution of Management**

Most managers today recognize the importance of history. Knowing the origins of their organization and the kinds of practices that have led to successor failure-can be an indispensable tool to managing the contemporary organization. Thus, in the next section we trace the history of management thought. Then we move forward to the present day by introducing contemporary management issues and challenges

**The Importance of Theory and History**

Some people question the value of history and theory. Their arguments are usually based on the assumptions that history has no relevance to contemporary society and that theory is abstract and of no practical use. In reality, however, both theory and history are important to all managers today.

A theory is simply a conceptual framework for organizing knowledge and providing a blueprint for action. Although some theories seem abstract and irrelevant, others appear very simple and practical. Management theories, used to build organizations and guide them toward their goals, are grounded in reality' In addition, most managers develop and refine their own theories of how they should run their organizations and manage the behavior of their employees.

An awareness and understanding of important historical developments are also important to contemporary managers." Understanding the historical context of management provides a sense of heritage and can help managers avoid the mistakes of others. Most courses in U.S. history devote time to business and economic developments in this country, including the Industrial Revolution, the early labor movement, and the Great Depression, and to such captains of U.S. industry as Cornelius Vanderbilt (railroads), John D. Rockefeller (oil), and Andrew Carnegie (steel). The contributions of these and other industrialists left a profound imprint on contemporary culture. Shell Oil, Levi Strauss, Ford, Lloyd's of London, Disney, Honda, and

Unilever all maintain significant archives about their past and frequently evoke images from that past in their orientation and training programs, advertising campaigns, and other public relations activities.

### **The Historical of Context of Management**

The practice of management can be traced back thousands of years. The Egyptians used the management functions of planning, organizing, and controlling when they constructed the great pyramids. Alexander the Great employed a staff organization to coordinate activities during his military campaigns. The Roman Empire developed a welldefined organizational structure that greatly facilitated communication and control.

In spite of this history, however, management per se was not given serious attention until the nineteenth century. Two of its first true pioneers were Robert Owen (1771-1858) and Charles Babbage (1792-1871). Owen, a British industrialist and reformer, was one of the first managers to recognize the importance of an organization's human resources and the welfare of workers. Charles Babbage, an English mathematician, focused his attention on efficiencies of production. He placed great faith in division of labor and advocated the application of mathematics to problems such as the efficient use of facilities and materials.

The classical management perspective had two major branches: scientific management and administrative management. Scientific management was concerned with improving efficiency and work methods for individual workers. Administrative management was more concerned with how organizations themselves should be structured and arranged for efficient operations. Both branches paid little attention to the role of the worker.

The behavioral management perspective, characterized by a concern for individual and group behavior, emerged primarily as a result of the Hawthorne studies. The human relations movement recognized the importance and potential of behavioral processes in organizations but made many overly simplistic assumptions about those processes.

Organizational behavior, a more realistic outgrowth of the behavioral perspective, is of interest to many contemporary managers.

The quantitative management perspective and its two components, management science and operations management, attempt to apply quantitative techniques to decision making and problem solving. These areas are also of considerable importance to contemporary managers. The contributions of quantitative management have been facilitated by the tremendous increase in the use of personal computers and integrated information networks.

Two relatively recent additions to management theory, the systems and contingency perspectives, appear to have great potential both as approaches to management and as frameworks for integrating the other perspectives. Challenges facing managers today include downsizing, diversity and the new workforce, information technology, new ways of managing, globalization, ethics and social responsibility, the importance of quality, and the continued shift toward a service economy.

### **The Classical Management Perspective**

At the dawn of the twentieth century, the preliminary ideas and writings of these and other managers and theorists converged with the emergence and evolution of large scale businesses and management practices to create interest and focus attention on how businesses should be operated. The first important ideas to emerge are now called the classical management perspective. This perspective actually includes two different viewpoints: scientific management and administrative management.

## **Scientific Management**

Productivity emerged as a serious business problem during the first few years of this century. Business was expanding and capital was readily available, but labor was in short supply. Hence, managers began to search for ways to use existing labor more efficiently. In response to this need, experts began to focus on ways to improve the performance of individual workers. Their work led to the development of scientific management. Some of the earliest advocates of scientific management included Frederick W Taylor (1856-1915), Frank Gilbreth (1868-1924), and Lillian Gilbreth (1878-1972).

One of Taylor's first jobs was as a foreman at the Midvale Steel Company in Philadelphia. It was there that he observed what he called soldiering—employees deliberately working at a pace slower than their capabilities. Taylor studied and timed each element of the steelworkers' jobs. He determined what each worker should be producing, and then he designed the most efficient way of doing each part of the overall task. Next, he implemented a piecework pay system. Rather than paying all employees the same wage, he began increasing the pay of each worker who met and exceeded the target level of output set for his or her job.

After Taylor left Midvale, he worked as a consultant for several companies, including Simonds Rolling Machine Company and Bethlehem Steel. At Simonds he studied and redesigned jobs, introduced rest periods to reduce fatigue, and implemented a piecework pay system. The results were higher quality and quantity of output and improved morale. At Bethlehem Steel, Taylor studied efficient ways of loading and unloading rail cars and applied his conclusions with equally impressive results. During these experiences, he formulated the basic ideas that he called scientific management. Figure 1.3 illustrates the basic steps Taylor suggested. He believed that managers who followed his guidelines would improve the efficiency of their workers.

Taylor's work had a major impact on U.S. industry. By applying his principles, many organizations achieved major gains in efficiency. Taylor was not without his detractors, however. Labor argued that scientific management was just a device to get more work from each employee and to reduce the total number of workers needed by a firm. There was a congressional investigation into Taylor's ideas, and evidence suggests that he falsified some of his findings. Nevertheless, Taylor's work left a lasting imprint on business.

Frank and Lillian Gilbreth, contemporaries of Taylor, were a husband-and-wife team of industrial engineers. One of Frank Gilbreth's most interesting contributions was to the craft of bricklaying. After studying bricklayers at work, he developed several procedures for doing the job more efficiently. For example, he specified standard materials and techniques, including the positioning of the bricklayer, the bricks, and the mortar at different levels. The results of these changes were a reduction from eighteen separate physical movements to five and an increase in output of about 200 percent. Lillian Gilbreth made equally important contributions to several areas of work, helped shape the field of industrial psychology, and made substantive contributions to the field of personnel management. Working individually and together, the Gilbreths developed numerous techniques and strategies for eliminating inefficiency. They applied many of their ideas to their family; their experiences raising twelve children are documented in the book and movie *Cheaper by the Dozen*.

## **Administrative Management**

Whereas scientific management deals with the jobs of individual employees, administrative management focuses on managing the total organization. The primary contributors to administrative management were Henri Fayol (1841-1925), Lyndall Urwick (1891-1983), and Max Weber (1864-1920).

Henri Fayol was administrative management's most articulate spokesperson. A French industrialist, Fayol was unknown to U.S. managers and scholars until his most important work, *General and Industrial Management*, was translated into English in 1930. Drawing on his own managerial experience, he attempted to systematize the practice of management to provide guidance and direction to other managers. Fayol also was the first to identify the specific managerial functions of planning, organizing, leading, and controlling. He believed that these functions accurately reflect the core of the management process. Most contemporary management books (including this one) still use this framework, and practicing managers agree that these functions are a critical part of a manager's job.

After a career as a British army officer, Lyndall Urwick became a noted management theorist and consultant. He integrated scientific management with the work of Fayol and other administrative management theorists. He also advanced modern thinking about the functions of planning, organizing, and controlling. Like Fayol, Urwick developed a list of guidelines for improving managerial effectiveness. Urwick is noted not so much for his own contributions as for his synthesis and integration of the work of others.

Although Max Weber lived and worked at the same time as Fayol and Taylor, his contributions were not recognized until some years had passed. Weber was a German sociologist, and his most important work was not translated into English until 1947.<sup>18</sup> Weber's work on bureaucracy laid the foundation for contemporary organization theory, discussed in detail in Chapter 6. The concept of bureaucracy, as we discuss later, is based on a rational set of guidelines for structuring organizations in the most efficient manner.

### **Assessment of the Classical Perspective**

The classical perspective served to focus serious attention on the importance of effective management and helped pave the way for later theories and approaches. Many of the concepts developed during this era, such as job specialization, time and motion studies, and scientific methods are still in use. On the other hand, these early theorists often took an overly simplistic view of management and failed to understand the human element of organizations.

### **The Behavioral Management Perspective**

Early advocates of the classical management perspective essentially viewed organizations and jobs from a mechanistic point of view—that is, they essentially sought to conceptualize organizations as machines and workers as cogs within those machines. Even though many early writers recognized the role of individuals, these management pioneers tended to focus on how managers could control and standardize the behavior of their employees. In contrast, the behavioral management perspective placed much more emphasis on individual attitudes and behaviors and on group processes and recognized the importance of behavioral processes in the workplace.

The behavioral management perspective was stimulated by a number of writers and theoretical movements. One of those movements was industrial psychology, the practice of applying psychological concepts to industrial settings. Hugo Munsterberg (1863-1916), a noted German psychologist, is recognized as the father of industrial psychology. He suggested that

psychologists could make valuable contributions to managers in the areas of employee selection and motivation. Industrial psychology is still a major course of study at many colleges and universities.

Another early advocate of the behavioral approach to management was Mary Parker Follett. Follett worked during the scientific management era, but quickly came to recognize the human element in the workplace. Indeed, her work clearly anticipated the behavioral management perspective, and she appreciated the need to understand the role of human behavior in organizations. Her specific interests were in adult education and vocational guidance. Follett believed that organizations should become more democratic in accommodating employees and managers.

### **The Hawthorne Studies**

Although Munsterberg and Follett made major contributions to the development of the behavioral approach to management, its primary catalyst was a series of studies conducted near Chicago at Western Electric's Hawthorne plant between 1927 and 1932. The research, originally sponsored by General Electric, was conducted by Elton Mayo and his associates. The first study involved manipulating illumination for one group of workers and comparing their subsequent productivity with the productivity of another group whose illumination was not changed. Surprisingly, when illumination was increased for the experimental group, productivity went up in both groups. Productivity continued to increase in both groups, even when the lighting for the experimental group was decreased. Not until the lighting was reduced to the level of moonlight did productivity begin to decline (and General Electric withdrew its sponsorship).

Another experiment established a piecework incentive pay plan for a group of nine men assembling terminal banks for telephone exchanges. Scientific management would have predicted that each man would try to maximize his pay by producing as many units as possible. Mayo and his associates, however, found that the group itself informally established an acceptable level of output for its members. Workers who overproduced were branded "rate busters," and underproducers were labeled "chiselers." To be accepted by the group, workers produced at the accepted level. As they approached this acceptable level of output, workers slacked off to avoid overproducing.

Other studies, including an interview program involving several thousand workers, led Mayo and his associates to conclude that human behavior was much more important in the workplace than researchers had previously believed. In the lighting experiment, for example, the results were attributed to the fact that both groups received special attention and sympathetic supervision for perhaps the first time. The incentive pay plans did not work in determining output because wage incentives were less important to the individual workers than was social acceptance. In short, individual and social processes played a major role in shaping worker attitudes and behavior.

### **Human Relations**

The human relations movement, which grew from the Hawthorne studies and was a popular approach to management for many years, proposed that workers respond primarily to the social context of the workplace, including social conditioning, group norms, and interpersonal dynamics. A basic assumption of the human relations movement was that the manager's concern for workers would lead to their increased satisfaction, which would in turn result in improved performance. Two writers who helped advance the human relations movement were Abraham Maslow and Douglas McGregor. In 1943, Maslow advanced a theory suggesting that people are motivated by a hierarchy of

needs, including monetary incentives and social acceptance. 21 Maslow's hierarchy, perhaps the best-known human relations theory, is described in detail in Chapter 10.

Meanwhile, Douglas McGregor's Theory X and Theory Y model best represents the essence of the human relations movement (see Table 1.1).<sup>22</sup> According to McGregor, Theory X and Theory Y reflect two extreme belief sets that managers have about their workers. Theory X is a relatively negative view of workers and is consistent with the views of scientific management. Theory Y is more positive and represents the assumptions that human relations advocates make. In McGregor's view, Theory Y was a more appropriate philosophy for managers to adhere to. Both Maslow and McGregor notably influenced the thinking of many practicing managers.

### **Theory X Assumptions**

1. People do not like work and try to avoid it.
2. People do not like work, so managers have to control, direct, coerce, and threaten employees to get them to work toward organizational goals.
3. People prefer to be directed, to avoid responsibility, and to want security; they have little ambition.

### **Theory Y Assumptions**

1. People do not naturally dislike work; work is a natural part of their lives.
2. People are internally motivated to reach objectives to which they are committed.
3. People are committed to goals to the degree that they receive personal rewards when they reach their objectives.
4. People will both seek and accept responsibility under favorable conditions.
5. People have the capacity to be innovative in solving organizational problems.
6. People are bright, but under most organizational conditions their potentials are underutilized.

## **Contemporary Behavioral Science in Management**

Munsterberg, Mayo, Maslow, McGregor, and others have made valuable contributions to management. Contemporary theorists, however, have noted that many assertions of the human relationists were simplistic and inadequate descriptions of work behavior. Current behavioral perspectives on management, known as organizational behavior, acknowledge that human behavior in organizations is much more complex than the human relationists realized. The field of organizational behavior draws from a broad, interdisciplinary base of psychology, sociology, anthropology, economics, and medicine. Organizational behavior takes a holistic view of behavior and addresses individual, group, and organization processes. These processes are major elements in contemporary management theory. Important topics in this field include job satisfaction, stress, motivation, leadership, group dynamics, organizational politics, interpersonal conflict, and the structure and design of organizations. A contingency orientation also characterizes the field (discussed more fully later in this chapter). Our discussions of organizing (Chapters 6 through 8) and leading (Chapters 9 through 13) are heavily influenced by organizational behavior.

### **Assessment of the Behavioral Perspective**

The primary contributions of the behavioral perspective relate to ways in which this approach has changed managerial thinking. Managers are now more likely to recognize the importance of behavioral processes and to view employees as valuable resources instead of mere tools. On the other hand, organizational behavior is still imprecise in its ability to predict behavior and is not always accepted or understood by practicing

managers. Hence, the contributions of the behavioral school have yet to be fully realized.

### **The Quantitative Management Perspective**

The third major school of management thought began to emerge during World War II. During the war government officials and scientists in England and the United States worked to help the military deploy its resources more efficiently and effectively. These groups took some of the mathematical approaches to management that Taylor and Gantt had developed decades earlier and applied them to logistical problems during the war. These officials and scientists learned that problems regarding troop, equipment, and submarine deployment, for example, could all be solved through mathematical analysis.

After the war, companies such as Du Pont and General Electric began to use the same techniques for deploying employees, choosing plant locations, and planning warehouses. Basically, then, this perspective is concerned with applying quantitative techniques to management. More specifically, the quantitative management perspective focuses on decision making, economic effectiveness, mathematical models, and the use of computers. There are two branches of the quantitative approach: management science and operations management.

Management Science Unfortunately, the term management science appears to be related to scientific management, the approach developed by Taylor and others early in this century. But the two have little in common and should not be confused. Management science focuses specifically on the development of mathematical models. A mathematical model is a simplified representation of a system, process, or relationship.

At its most basic level, management science focuses on models, equations, and similar representations of reality. For example, managers at Detroit Edison use mathematical models to determine how best to route repair crews during blackouts. The Bank of New England uses models to figure out how many tellers need to be on duty at each location at various times throughout the day. In recent years, paralleling the advent of the personal computer, management science techniques have become increasingly sophisticated. For example, automobile manufacturers Daimler-Benz and Chrysler use realistic computer simulations to study collision damage to cars. These simulations give them precise information and avoid the costs of "crashing" so many test cars.

Operations Management Operations management is somewhat less mathematical and statistically sophisticated than management science and can be applied more directly to managerial situations. Indeed, we can think of operations management as a form of applied management science. Operations management techniques are generally concerned with helping the organization produce its products or services more efficiently and can be applied to a wide range of problems.

For example, Rubbermaid and The Home Depot use operations management techniques to manage their inventories. (Inventory management is concerned with specific inventory problems such as balancing carrying costs and ordering costs and determining the optimal order quantity.) Linear programming (which involves computing simultaneous solutions to a set of linear equations) helps United Air Lines plan its flight schedules, Consolidated Freightways develop its shipping routes, and General Instrument Corporation plan which instruments to produce at various times. Other operations management techniques include queuing theory, breakeven analysis, and simulation. All these techniques and procedures apply directly to operations, but they are also helpful in such areas as finance, marketing, and human resource management.

### **Assessment of the Quantitative Perspective**

Like the other management perspectives, the quantitative management perspective has



made important contributions and has certain limitations. It has provided managers with an abundance of decision-making tools and techniques and has increased their understanding of overall organizational processes. It has been particularly useful in the areas of planning and controlling. On the other hand, mathematical models cannot fully account for individual behaviors and attitudes. Some people believe that the time needed to develop competence in quantitative techniques retards the development of other managerial skills. Finally, mathematical models typically require a set of assumptions that may not be realistic.

### **Contemporary Management Theory**

Recognizing that the classical, behavioral, and quantitative approaches to management are not necessarily contradictory or mutually exclusive is important. Even though each perspective makes specific assumptions and predictions, each can also complement the others. Indeed, a complete understanding of management requires an appreciation of all three perspectives. In addition, contemporary management theory based on systems and contingency perspectives builds from these earlier perspectives in a variety of ways.

### **The Systems Perspective**

The systems perspective is one important contemporary management theory. A system is an interrelated set of elements functioning as a whole. As shown in Figure 1.4, by viewing an organization as a system, we can identify four basic elements: inputs, transformation processes, outputs, and feedback. First, inputs are the material, human, financial, and information resources the organization gets from its environment. Next, through technological and managerial processes, inputs are transformed into outputs. Outputs include products, services, or both (tangible and intangible); profits, losses, or both (even not-for-profit organizations must operate within their budgets); employee behaviors; and information. Finally, the environment reacts to these outputs and provides feedback to the system.

Thinking of organizations as systems provides us with a variety of important viewpoints on organizations such as the concepts of open systems, subsystems, synergy, and entropy. Open systems are systems that interact with their environment, whereas closed systems do not interact with their environment. Although organizations are open systems, some make the mistake of ignoring their environment and behaving as though their environment is not important.

The systems perspective also stresses the importance of subsystems—systems within a broader system. For example, the marketing, production, and finance functions within Mattel are systems in their own right but are also subsystems within the overall organization. Because they are interdependent, a change in one subsystem can affect other subsystems as well. If the production department at Mattel lowers the quality of the toys being made (by buying lower-quality materials, for example), the effects are felt in finance (improved cash flow in the short run owing to lower costs) and marketing (decreased sales in the long run because of customer dissatisfaction). Managers must therefore remember that although organizational subsystems can be managed with some degree of autonomy, their interdependence should not be overlooked.

Synergy suggests that organizational units (or subsystems) may often be more successful working together than working alone. The Walt Disney Company, for example, benefits greatly from synergy. The company's movies, theme parks, television programs, and merchandise licensing programs all benefit one another. Children who

enjoy a Disney movie like *Mulan* want to go to Disney World and see the *Mulan* show or parade and to buy stuffed animals of the film's characters. Music from the film generates additional revenues for the firm, as do computer games and other licensing arrangements for lunch boxes, clothing, and so forth. Synergy is an important concept for managers because it emphasizes the importance of working together in a cooperative and coordinated fashion.

Finally, entropy is a normal process that leads to system decline. When an organization does not monitor feedback from its environment and make appropriate adjustments, it may fail. For example, Studebaker, W T Grant, and Penn Central Railroad went bankrupt because each company failed to revitalize itself and keep pace with changes in its environment. A primary objective of management, from a systems perspective, is to continually re-energize the organization to avoid entropy.

### **The Contingency Perspective**

Another recent noteworthy addition to management thinking is the contingency perspective. The classical, behavioral, and quantitative approaches are considered universal perspectives because they tried to identify the "one best way" to manage organizations. The contingency perspective, in contrast, suggests that universal theories cannot be applied to organizations because each organization is unique. Instead, the contingency perspective suggests that appropriate managerial behavior in a given situation depends on, or is contingent on, unique elements in that situation. Stated differently, effective managerial behavior in one situation cannot always be generalized to other situations. Recall, for example, that Frederick Taylor assumed that all workers would generate the highest possible level of output to maximize their own personal economic gain. We can imagine some people being motivated primarily by money, but we can just as easily imagine other people being motivated by the desire for leisure time, status, social acceptance, or any combination of these (as Mayo found at the Hawthorne plant).

### **Contemporary Management Issues and Challenges**

Managers today face an imposing set of challenges as they guide and direct the fortunes of their companies. Coverage of each topic, introduced next, is thoroughly integrated throughout this book.

#### **Downsizing**

One major management challenge that is all too common today is *downsizing*, which occurs when an organization purposely becomes smaller by reducing the size of the workforce or by shedding entire divisions or businesses. From around the mid-1980s through today, it has become commonplace for firms to announce the elimination of thousands of jobs. For example, in recent years General Motors, IBM, and AT&T have undergone major downsizing efforts involving thousands of employees. Even some Japanese firms—long thought to be immune to this challenge—have had to downsize as a result of problems in the Japanese economy. Organizations going through such downsizing have to be concerned about managing the effects of these cutbacks, not only for those who are being let go, but also for those who are surviving—albeit surviving with a reduced level of job security.

#### **Diversity and the New Work Force**

A second important challenge today is the *management of diversity*. Diversity refers to differences among people. Although diversity may be reflected along numerous dimensions, most managers tend to focus on age, gender, ethnicity, and physical

abilities/disabilities. The internationalization of businesses has also increased diversity in many organizations, carrying with it additional challenges as well as new opportunities. Motivating employees from different age categories, from senior citizens to Generation X-ers, is a related issue.

### **Information Technology**

New technology, especially as it relates to information, also poses an increasingly important management challenge. The Internet and World Wide Web, local area networks and intranets, and the increased use of e-mail and voicemail systems are among the most recent technological changes in this area. Among the key issues associated with information technology are employee privacy, decision-making quality, and optimizing a firm's investments in new forms of technology as they continue to emerge. A related issue confronting managers has to do with the increased capabilities this technology provides for people to work at places other than their office.

### **New Ways of Managing**

Another important management challenge today is the complex array of new ways of managing. As noted earlier, theorists once advocated "one best way" of managing. These approaches generally relied on rigidly structured hierarchies with power controlled at the top and rules, policies, and procedures governing most activities. Now, however, many managers are seeking greater flexibility and the ability to respond more quickly to the environment. Thus, organizations today are often characterized by few levels of management, broad, wide spans of management, and fewer rules and regulations. The increased use of work teams also goes hand-in-hand with this new approach to managing.

### **Globalization**

Globalization is yet another significant contemporary challenge for managers. Managing in a global economy poses many different challenges and opportunities. For example, at a macro level, property ownership arrangements vary widely. So does the availability of natural resources and components of the infrastructure, as well as the role of government in business. Another important consideration is how behavioral processes vary widely across cultural and national boundaries. For example, values, symbols, and beliefs differ sharply among cultures. Different work norms and the role work plays in a person's life can influence patterns of both work-related behavior and attitudes toward work. They also affect the nature of supervisory relationships, decision-making styles and processes, and organizational configurations.

### **Ethics and Social Responsibility**

Another management challenge that has taken on renewed importance is ethics and social responsibility. Scandals in organizations ranging from Drexel Burnham Lambert Inc. (stock market fraud) to Beech-Nut (advertising baby apple juice as being 100 percent pure when it was really chemically extended) to the Japanese firm Recruit (bribery of government officials) have made headlines around the world. From the social responsibility angle, increasing attention has been focused on pollution and business's obligation to help clean up our environment, business contributions to social causes, and so forth.

### **Managing for Quality**

Quality also poses an important management challenge today. Quality is an important issue for several reasons. First, more and more organizations are using quality as a basis for competition. Second, enhancing quality lowers costs. Whistler Corporation recently found that it was using 100 of its 250 employees to repair defective radar detectors that were built incorrectly the first time. Quality is also important because of its

relationship to productivity

### **Service Economy**

Finally, the shift toward a service economy also continues to be important. Traditionally, most businesses were manufacturers—they used tangible resources like raw materials and machinery to create tangible products like automobiles and steel. In recent years, however, the service sector of the economy has become much more important. Indeed, services now account for well over half of the gross domestic product in the United States and play a similarly important role in many other industrialized nations as well.

Service technology involves the use of both tangible resources (such as machinery) and intangible resources (such as intellectual property) to create intangible services (such as a hair cut, insurance protection, or transportation between two cities). While there are obviously many similarities between managing in a manufacturing and a service organization, there are also many fundamental differences.

## **Human Resource Management: An Introduction and Scope**

Q.1 What is Human Resource Management?

Ans. Human Resource Management (HRM) is the process of managing people in organizations in a structured and thorough manner. This covers the fields of staffing (hiring people), retention of people, pay and perks setting and management, performance management, change management and taking care of exits from the company.

### **Meaning of Human Resource Management**

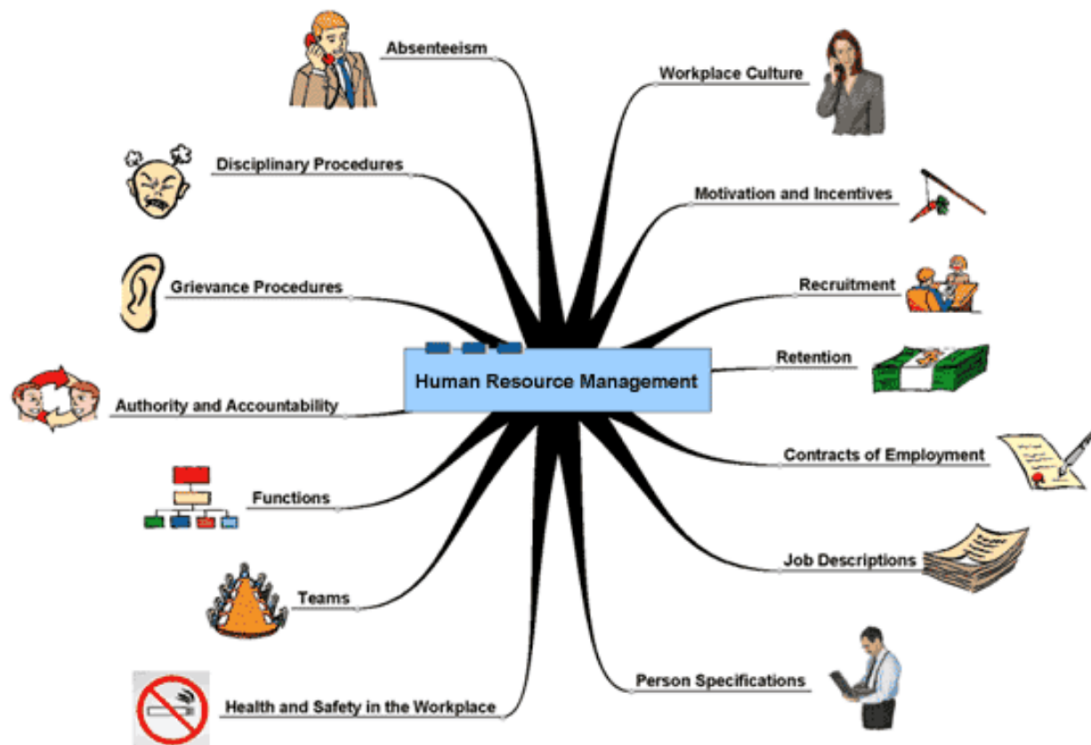
Human Resource Management is a management function concerned with hiring, motivating, and maintaining workforce in an organisation. Human resource management deals with issues related to employees such as hiring, training, development, compensation, motivation, communication, and administration. Human resource management ensures satisfaction of employees and maximum contribution of employees to the achievement of organisational objectives.

According to Armstrong (1997), Human Resource Management can be defined as “a strategic approach to acquiring, developing, managing, motivating and gaining the commitment of the organisation’s key resource – the people who work in and for it.”

### **Importance of Human Factor:**

1. Output will be greater than the input
2. Each individual is different from culture, education, environment, background etc
3. We can’t purchase the loyalty, dedication, devotion towards the organization.
4. Time passes human factor can bring experience to organization to accept the challenges
5. Recent developments like legislation, trade unions enhanced their importance.

Apart from above factors there are certain other factors that one should consider in the management of human resource such as:



## Nature and scope of HRM

1. Organizations are the people who manage.
2. HRM involves acquisition, developing, maintaining
3. Decisions relating to employees must be integrated.
4. Decisions made must influence the effectiveness of an organization.
5. HRM functions are confirmed to Non-business organization also.

## Functions of Human Resource Management

Human Resource Management functions can be classified in following three categories.

- Managerial Functions,
- Operative Functions, and
- Advisory Functions

The **Managerial Functions** of Human Resource Management are as follows:

**1. Human Resource Planning** - In this function of HRM, the number and type of employees needed to accomplish organisational goals is determined. Research is an important part of this function, information is collected and analysed to identify current and future human resource needs and to forecast changing values, attitude, and behaviour of employees and their impact on

organisation.

**2. Organising** - In an organisation tasks are allocated among its members, relationships are identified, and activities are integrated towards a common objective. Relationships are established among the employees so that they can collectively contribute to the attainment of organisation goal.

**3. Directing** - Activating employees at different level and making them contribute maximum to the organisation is possible through proper direction and motivation. Taping the maximum potentialities of the employees is possible through motivation and command.

**4. Controlling** - After planning, organising, and directing, the actual performance of employees is checked, verified, and compared with the plans. If the actual performance is found deviated from the plan, control measures are required to be taken.

The ***Operative Functions*** of Human Resource Management are as follows:

**1. Recruitment and Selection** - Recruitment of candidates is the function preceding the selection, which brings the pool of prospective candidates for the organisation so that the management can select the right candidate from this pool.

**2. Job Analysis and Design** - Job analysis is the process of describing the nature of a job and specifying the human requirements like qualification, skills, and work experience to perform that job. Job design aims at outlining and organising tasks, duties, and responsibilities into a single unit of work for the achievement of certain objectives.

**3. Performance Appraisal** - Human resource professionals are required to perform this function to ensure that the performance of employee is at acceptable level.

**4. Training and Development** - This function of human resource management helps the employees to acquire skills and knowledge to perform their jobs effectively. Training and development programs are organised for both new and existing employees. Employees are prepared for higher level responsibilities through training and development.

**5. Wage and Salary Administration** - Human resource management determines what is to be paid for different type of jobs. Human resource management decides employees compensation which includes - wage administration, salary administration, incentives, bonuses, fringe benefits, and etc.,

**6. Employee Welfare** - This function refers to various services, benefits, and facilities that are provided to employees for their well being.

**7. Maintenance** - Human resource is considered as asset for the organisation. Employee turnover is not considered good for the organisation. Human resource management always try to keep their best performing employees with the organisation.

**8. Labour Relations** - This function refers to the interaction of human resource management with employees who are represented by a trade union. Employees comes together and forms an union

to obtain more voice in decisions affecting wage, benefits, working condition, etc.,

**9. Personnel Research** - Personnel researches are done by human resource management to gather employees' opinions on wages and salaries, promotions, working conditions, welfare activities, leadership, etc.,. Such researches helps in understanding employees satisfaction, employees turnover, employee termination, etc.,

**10. Personnel Record** - This function involves recording, maintaining, and retrieving employee related information like - application forms, employment history, working hours, earnings, employee absents and presents, employee turnover and other other data related to employees.

The ***Advisory Functions*** of Human Resource Management are as follows: Human Resource Management is expert in managing human resources and so can give advice on matters related to human resources of the organisation. Human Resource Management can offer advice to:

**1. Advised to Top Management**  
Personnel manager advises the top management in formulation and evaluation of personnel programs, policies, and procedures.

**2. Advised to Departmental Heads**  
Personnel manager advises the the heads of various departments on matters such as manpower planning, job analysis, job design, recruitment, selection, placement, training, performance appraisal, etc.

### **What is the significance of Human Resource Development(HRD)?**

Human resource development (HRD) is an essential component for growth and economic development. It can occur at both the nationwide level and the firm-wide level.

The need & importance of HRD can be measured from the following points:

**Growth of organization:** Growth of organization is associated with the development of its workforce. In changing situation HRD must be viewed as the total system interrelated and interacting with other systems at work: production, finance, and marketing.

**Development of work culture :** The need of HRD is felt as it improves the efficiency of employees, checks monotony at work, better communication, development of mutual cooperation and creativity of all the members comes into limelight.

**Developing potentialities:** The focus of HRD manager essentially is on enabling people to self-actualize through a systematic approach by which their existing talents are further developed.

**Growth of employees:** HRD is associated with growth of employees. It helps employees to know their strengths and weaknesses and enable them to improve their performance. The management should provide adequate opportunity for the development of human resource management for the development of their talents so that their development will benefits the organizational growth.

**Country Develops if The Human Resource is Developed:**

To enhance economic development the state constructs roads, buildings bridges, dams, power houses, hospitals, etc. to run these units doctors, engineers, scientist, teachers, are required. So if the state invests in a human resource it pays dividend in response.

**Entrepreneurship Increase:**

Education, clean environment, good health, investment on the human resource, will all have its positive effects. Job opportunities would be created in the country. And even business environment will flourish in the state which creates many job opportunities.

**What is Human Resources planning and also explain its components?**

**Ans.** E.W Vetter viewed human resources planning as “a process by which an organization should move from its current manpower position to its desired manpower position. Through planning management strives to have the right number and right kind of people at the right places at the right time, doing things which result in both the organization and the individual receiving maximum long-run benefit”.

According to Leon C Megginson human resources planning is an integrated approach to performing the planning aspects of the personnel function in order to have a sufficient supply of adequately developed and motivated people to perform the duties and tasks required to meet organizational objectives and satisfy the individual needs and goals of organizational members.

Components of Human Resource Planning comprises:

- Estimating Manpower Requirement
- Workload analysis
- Workforce analysis
- Absenteeism
- Labor turnover
- Recruitment & Selection
- Induction & development
- Personnel Development
- Ensuring quality to products & services
- Overall assessment & performance & fine- tuning

**Q.6 Discuss the process of Human Resource Planning.**

**1. Analyzing the Corporate Level Strategies :** – Human Resource Planning should start with analyzing corporate level strategies which include expansion, diversification, mergers, acquisitions, reduction in operations, technology to be used, method of production etc. Therefore Human Resource Planning should begin with analyzing the corporate plans of the organization before setting out on fulfilling its tasks.

**2. Demand forecasting:** – Forecasting the overall human resource requirement in accordance with the organizational plans is one of the key aspects of demand forecasting. Forecasting of quality of human resources like skills, knowledge, values and capabilities needed in addition to quantity of human resources is done through the following methods: -

**a. Executive or Managerial Judgment:** – Here the managers decide the number of employees in the future. They adopt one of the three approaches mentioned below: -

o Bottom-Up approach: – Here the concerned supervisors send their proposals to the top officials who compare these with the organizational plans, make necessary adjustments and finalize them.

o Top-Down approach: – Here the management prepares the requirements and sends the information downwards to the supervisory –level who finalizes the draft and approves it.

o Participative Approach: – Here the supervisors and the management sit together and



projections are made after joint consultations.

The chief drawback of these methods is that estimation of manpower is made using guesswork.

**b. Statistical Techniques:** – These methods use statistical methods and mathematical techniques to forecast and predict the supply and demand of Human Resources in the future.

**c. Ratio-Trend analysis:** – In this method depending on the past data regarding number of employees in each department, like production department, sales department, marketing department and workload level, etc ratios for manpower are estimated. Past values are plotted and extrapolated to get fairly accurate future projections.

**d. Work Study method:** – This technique is suitable to study the correlation between volume of work and labor i.e. demand for human resources is estimated based on the workload. Work study method is more appropriate for repetitive and manual jobs when it is possible to measure work and set standards.

**e. Delphi Technique:** – „*Delphi*’ Technique is named after the Greek Oracle at the city of Delphi. In this method, the views of different experts related to the industry are taken into consideration and then a consensus about the Human Resource requirement is arrived at. Delphi technique is used primarily to assess long-term needs of human resource.

**3. Analyzing Human Resource Supply:** – Every organization has two sources of supply of Human Resources: Internal & External. Internally, human resources can be obtained for certain posts through promotions and transfers. In order to judge the internal supply of human resources in future human resource inventory or human resource audit is necessary. Human resource inventory helps in determining and evaluating the quantity of internal human resources available. Once the future internal supply is estimated, supply of external human resources is analyzed.

**4. Estimating manpower gaps :** – Manpower gaps can be identified by comparing demand and supply forecasts. Such comparison will reveal either deficit or surplus of Human Resources in the future. Deficit suggests the number of persons to be recruited from outside, whereas surplus implies redundant employees to be re-deployed or terminated. Employees estimated to be deficient can be trained while employees with higher, better skills may be given more enriched jobs.

**5. Action Planning:** – Once the manpower gaps are identified, plans are prepared to bridge these gaps. Plans to meet the surplus manpower may be redeployment in other departments and retrenchment. People may be persuaded to quit voluntarily through a golden handshake. Deficit can be met through recruitment, selection, transfer and promotion. In view of shortage of certain skilled employees, the organization has to take care not only of recruitment but also retention of existing employees. Hence, the organization has to plan for retaining of existing employees.

**6. Modify the Organizational plans :** – If future supply of human resources from all the external sources is estimated to be inadequate or less than the requirement, the manpower planner has to suggest to the management regarding the alterations or modifications in the organizational plans.

**7. Controlling and Review:** – After the action plans are implemented, human resource structure and the processes should be controlled and reviewed with a view to keep them in accordance with action plans.

## **RECRUITMENT AND SELECTION**

Recruitment and Selection process is defined as the process through which the best individuals are selected among a pool of applicants for particular positions of job. Mostly managers consider selection process as one of their critical decision functions in the organization. In selection process, the managers actually try to match knowledge, skills & abilities of the applicants with the requirements of the jobs. There is no single selection process that can be considered as

standard one for all the organizations. Rather the steps & procedure of selection process varies from organization to organization.

### **Factors Effecting Recruitment and Selection Process**

[Recruitment and Selection Process](#) is supported by a standard & permanent process of screening. However in some cases the screening process cannot simplify the selection process because there are certain other factors that influence the selection process. These factors are the environmental factors & are as follow.

#### **1. Legal Considerations**

[Human Resource Management](#) is influenced by the court decisions, executive orders & legislation. The management of the organization should use the legally defensive selection tools in the selection process.

#### **0. Speed of Decision Making**

The recruitment and selection process is directly influenced by the available time to make the decision of selection. In general cases the selection process is followed by the specified policies & procedures to protect the organization from legal issues. But in certain situations there is much pressure on the organization that leads the management to follow the exceptional selection process.

#### **0. Organizational Hierarchy**

Recruitment and selection process varies according to the filling posts of different levels of hierarchy in the organizational structure.

#### **0. Applicant Pool**

The recruitment and selection process is also influenced by the number of applicants for a particular job. In case of many qualified applicants for a particular post, the selection process becomes selective. For this purpose, selection ratio is ascertained by comparing the number of selected applicants to the number of applicants in a pool.

#### **0. Type of Organization**

The type of the organization like government organization, private or non-profit organization etc, also affects the selection process for the hiring individuals.

#### **0. Probationary Period**

Certain organization adopts the procedure of probation period in the selection process to check the potential of the individual on the basis of his performance. This may take the form of either validity check on the selection process or as a substitute of some steps of the selection process.

#### **0. Selection Criteria:**

In most of the cases the applicants are selected on the basis of following factors or criterion.

- Education
- Competence
- Experience
- Skills & Abilities
- Personal Characteristics

In way the applicant that best fits the above criterion is selected rather than the one that has extraordinary skills or over as well as under qualified because in such case the later selected person would not properly adjust in the organization.

### **Steps Involved in Recruitment and Selection Process in HRM**

In typical cases, the selection process starts with the preliminary interview after which the applications for the employment are filled by the candidates. The candidates pass through a number of selection tests, interviews of employment and background check & references. The candidates that are successful in all the previous steps get physical examination test by the company and if the results are satisfactory, they are selected. There are several internal & external forces that influence the selection process & therefore the managers must consider these factors before making a final decision of selection. Following are the standardized steps of the selection process but some organizations may alter some of these steps in their selection process.

**01- Initial Screening**

**02- Application blank**

**03- Pre-employment Testing**

**04- Interview**

**05- Background Checks**

**06- Conditional Job Offer**

**07- Drug Test/Medical Exam**

**08- Final Selection Decision**

Now each step is discussed one by one.

### **1. Initial Screening:**

Generally the Selection and the Recruitment Process starts with the initial screening of applicants so that the unqualified ones are drop out at the initial stage. Initial screening is helpful to save the time, cost & effort of the selection committee in the following steps of the selection process. In this step certain general questions are asked from the applicants. There are chances that the some applicants would be unqualified for the job but some of them would be qualified. So the main purpose of screening of applicants is to reduce the number of applicants available in the selection process.

### **Sources used in the Screening Effort**

The main source of initial screening is the curriculum vitae of the applicant along with the job application. Following information is included in the above mentioned documents.

- Education & employment History
- Evaluation of character
- Evaluation of job performance

### **Screening Interviews**

Screening interviews are employed to

- To verify the accuracy & validity of the information given in the curriculum vitae of the applicant.
- The duration of these interviews is quite short.

### **Advantages of Successful Screening**

When the initial screening step become successful, the removing applicants don not proceed to the next step of the selection process because they do not meet the minimum requirements. Secondly the selection costs of the organization are much reduced through proper screening of the applicants.

## **0. Application Blank**

The person's application for employment is formally recorded in the shape of application blank. In the next step of the selection process, an application form for the employment is completed by the prospective applicant. The information contained in the application blank differ from one organization to another organization and in job posts, it may vary even within the same organization. But generally the informational needs and the requirements of EEO are covered in the application blank. The historical data from the candidate can be quickly collected through the application blanks so that further verification about the accuracy of the data is carried out.

## **0. Pre-employment Test**

The physical & mental abilities, knowledge, skills, personal characteristics & other aspects of behavior can be effectively measured through the pre-employment tests. For this purpose there are hundreds of test that can measure the different aspects of human behavior. With the passage of time, the application of pre-employment test is growing at a fast rate in the selection process because they can explain the qualities & skills of applicant clearly. These tests are more used in the large & public sector organizations.

The advantage of application of tests in the selection process is that it can ensure the potential & qualified candidate selection from a pool of applicants for a job.

### **Characteristics of Well Designed Test**

A well designed selection test has the following characteristics.

- Standardization
- Objectivity
- Norms
- Reliability
- Validity

### **Kinds of Pre-employment Tests:**

As individuals varies on the basis of cognitive abilities, job knowledge, vocational interests, psycho-motor abilities & personality etc. So, all these factors are measured through a set of different pre-employment tests which are as follow.

#### **Cognitive Aptitude tests**

In this test the ability to learn & perform a job by an individual is judged. The abilities related to job are as follow.

- Verbal
- Reasoning
- Numerical
- Perceptual Speed
- Spatial

#### **Psycho – motor Abilities Test**

In this test, the coordination, strength & dexterity of an individual is judged. Other abilities related to routine office jobs & production jobs can also be measured through these tests.

#### **Job knowledge Tests**

This test is used to measure the knowledge of the person about the duties of a particular job.

#### **Work Sample Tests**

A set of tasks that represent a job are identified in this test through which the productivity level, ability to face adverse conditions by the applicants are judged.

### **Vocational Interest test**

This test identifies the occupations that are preferred by the candidate & that can provide him maximum satisfaction.

### **Personality Tests**

These tests are not considered to be so reliable & valid as compared to other pre-employment tests because these tests require external psychologist who interprets the results of the tests subjectively.

### **Drug & Alcohol Tests**

For the security, productivity & safety of the workplace drug testing programs are used as pre-employment tests.

### **0. Job Interviews**

In the interview, the interviewer & applicant exchange information in order to achieve a goal through conversation. The employment interviews are conducted during the selection process through proper planning. The pleasant location of the interviewing place is selected and the interviewer has the good personality with empathy & ability to communicate & listen effectively. A job profile must be prepared on the basis of job description before conducting interview.

### **Contents of the Interview**

Although the contents of the employment interview varies from one organization to another & also according to the nature of job but still following are the essential contents of the interview.

- Occupational Experience
- Academic Achievement
- Interpersonal Skills
- Personal Qualities
- Organizational Fit

### **Types of Interviews**

The interviews are generally categorized into the following three types.

#### **1. Unstructured Interview**

In unstructured interviews open ended questions are asked from the applicant in order to perform probing. It is generally non-directive in nature and applicant is encouraged to give lengthy answers.

#### **1. Structured Interview**

In structured interview, a list of job related questions associated to particular job are asked from each applicant in a consistent manner. It is directive or patterned in nature and includes the following four kinds of questions.

- Situational Questions
- Job Knowledge Questions
- Job-sample simulation Questions
- Worker Requirement Questions

#### **1. Mixed Interview**

It is a special kind of structured interview in which specially designed questions are asked from

the applicant to probe his past behavior in specific situations. It does not include the self-evaluative & hypothetical questions & inhibits to judge the personality of the applicant. The candidates are rated on the basis of their responses in the light of the bench-marked answer of successful employees.

### **Methods of Interviewing**

Following are the main ways of conducting interviews.

**01-** One-on-One Interview

**02-** Group Interview

**03-** Board Interview

**04-** Stress Interview

#### **0. Back Ground Checks**

The accuracy of the application form of the candidate is verified through references & former employer. The educational, criminal record & legal status to work are verified. Personal references of applicant are contacted to confirm the validity & accuracy of the provided information. Effort is made to know the past behavior of the employees to that the future behavior can be predicted from it. Background checks assist the selection committee in dropping the applicants that have past insubordination issues, attendance problem, theft or special behavioral problems. The level of responsibility of the new job directs the intensity of the background investigation.

#### **0. Conditional Job Offer**

After going through all the previous steps of selection process, there comes the most important step of the selection process in which the decision of hiring is made. The applicant that best meets the requirements of the job is selected. At start conditional job letter is issued which must be followed by medical exam.

#### **0. Medical Exam**

When the conditional job letter is issued the next step of the selection process starts in which the physical/medical examination of the selected candidate is conducted. The medical exam of the candidate is essential to check either he takes the drugs or not. If he passes the exam, he would be finally selected for the job.

#### **0. Final Selection Decision**

After passing the medical exam by the candidate, the final offer for the job is made to the candidate by the relative department.

For Online Recruitment	Against Online Recruitment
Cost saving	Needs an integrated recruitment process
Shorter recruiting cycle time	Internet skill is not the first options
Reaches a wider range of applicants	Is mainly perceived suitable for young graduates
Better quality of response	Is more effective for companies already known
Gives the company amore up to date image	Involves higher risk of overload answers
Opportunity to address specific labour market niches	Its implementation implies extra time and efforts
Attacks the passive job seeker	
Provides global coverage a constant basis	

### What is training? Explain the Role of training.

**Ans** The term training refers to the acquisition of knowledge, skills, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies.

To make proficient with specialized instruction and practice.

#### Meaning:

It is a learning process that involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviors to enhance the performance of employees.

Training is activity leading to skilled behavior.

- \* It's not what you want in life, but it knows how to reach it.
- \* It's not where you want to go, but it knows how to get there.
- \* It's not how high you want to rise, but it knows how to take off.
- \* It may not be quite the outcome you were aiming for, but it will be an outcome.
- \* It's not what you dream of doing, but it's having the knowledge to do it
- \* It's not a set of goals, but it's more like a vision
- \* It's not the goal you set, but it's what you need to achieve it

Training is about knowing where you stand (no matter how good or bad the current situation looks) at present, and where you will be after some point of time.

Training is about the acquisition of knowledge, skills, and abilities (KSA) through professional development.

### Q .2 Explain the concept of training and development with reference to its objectives?

**Ans TRAINING AND DEVELOPMENT** is a subsystem of an organization. It ensures that randomness is reduced and learning or behavioral change takes place in structured format.

## **TRADITIONAL AND MODERN APPROACH OF TRAINING AND DEVELOPMENT**

### **Human Resource Management 23**

**Traditional Approach** – Most of the organizations before never used to believe in training. They were holding the traditional view that managers are born and not made. There were also some views that training is a very costly affair and not worth. Organizations used to believe more in executive pinching. But now the scenario seems to be changing.

The **modern approach** of training and development is that Indian Organizations have realized the importance of corporate training. Training is now considered as more of retention tool than a cost. The training system in Indian Industry has been changed to create a smarter workforce and yield the best results

### **TRAINING AND DEVELOPMENT OBJECTIVES**

The principal objective of training and development division is to make sure the availability of a skilled and willing workforce to an organization. In addition to that, there are four other objectives: Individual, Organizational, Functional, and Societal.

**Individual Objectives** – help employees in achieving their personal goals, which in turn, enhances the individual contribution to an organization.

**Organizational Objectives** – assist the organization with its primary objective by bringing individual effectiveness.

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

**Societal Objectives** – ensure that an organization is ethically and socially responsible to the needs and challenges of the society.

### **IMPORTANCE OF TRAINING AND DEVELOPMENT**

- Optimum Utilization of Human Resources – Training and Development helps in optimizing the utilization of human resource that further helps the employee to achieve the organizational goals as well as their individual goals.
- Development of Human Resources – Training and Development helps to provide an opportunity and broad structure for the development of human resources' technical and behavioral skills in an organization. It also helps the employees in attaining personal growth.
- Development of skills of employees – Training and Development helps in increasing the job knowledge and skills of employees at each level. It helps to expand the horizons of human intellect and an overall personality of the employees.
- Productivity – Training and Development helps in increasing the productivity of the employees that helps the organization further to achieve its long-term goal
- Team spirit – Training and Development helps in inculcating the sense of team work, team spirit, and inter-team collaborations. It helps in inculcating the zeal to learn within the employees
- Organization Culture – Training and Development helps to develop and improve the organizational health culture and effectiveness. It helps in creating the learning culture within the organization
- Organization Climate – Training and Development helps building the positive perception and feeling about the organization. The employees get these feelings from leaders,



- subordinates, and peers.
- Quality – Training and Development helps in improving upon the quality of work and work- life.
- Healthy work-environment – Training and Development helps in creating the healthy working environment. It helps to build good employee, relationship so that individual goals aligns with organizational goal.
- Health and Safety – Training and Development helps in improving the health and safety of the organization thus preventing obsolescence.
- Morale – Training and Development helps in improving the morale of the work force.
- Image – Training and Development helps in creating a better corporate image.
- Profitability – Training and Development leads to improved profitability and more positive attitudes towards profit orientation.
- Training and Development aids in organizational development i.e. Organization gets more effective decision making and problem solving. It helps in understanding and carrying out organizational policies.
- Training and Development helps in developing leadership skills, motivation, loyalty, better attitudes, and other aspects that successful workers and managers usually display.

## **Employee Compensation**

### **Q.1 What is Compensation?**

**Ans.** The literal meaning of Compensation is to counter-balance. In other words it is remuneration

an employee receives in return for his or her contribution to the organization.

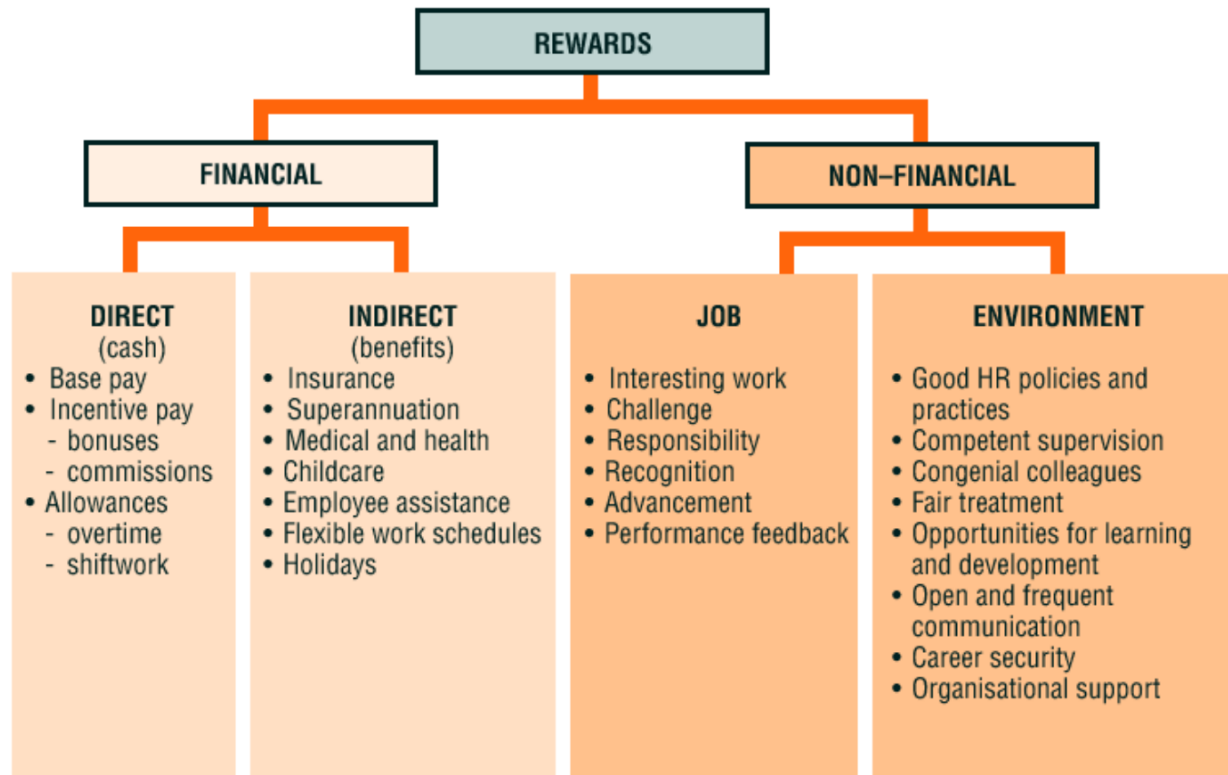
### **Q. 2 What are the objectives of compensation?**

**Ans.** The main objectives of compensation comprise of:

- To achieve maximum satisfaction to the employee at the least cost to the employer
- Compensation is important for
  - morale
  - enhancing efficiency
  - reduces staff turnover
  - attracts best employees
  - helps in dealing with unions

### **Q.3 What are the components of compensation?**

**Ans.**



**What is Compensation Plan?**

**Ans. Meaning and Definition of Compensation**

In layman's language the word 'compensation' means something, such as money, given or received as payment for service. The word compensation may be defined as money received in the performance of work, plus the many kinds of benefits and services that organization provides their employee. It refers to wide range of financial and non-financial rewards to employee for their service rendered to the organization. It is paid in the form of wages, salaries, special allowance and employee benefits such as paid vacation, insurance, maternity leaves, free travel facility, retirement benefits etc.

**According to Wendell French,** "Compensation is a comprehensive term which includes wages, salaries and all other allowance and benefits."

Wages are the remuneration paid for skilled, semi-skilled and unskilled operative workforce. Salary is the remuneration of those employees who provides mental labour to the employer such as supervisor, office staff, executive etc wages are paid on daily or hourly basis where as salary is paid on monthly basis.

**Various Modes of Compensation**

Various modes of compensation are as follows-

- a) **Wages and Salary-** Wages represent hourly rates of pay and salary refers to monthly rate of pay irrespective of the number of hours worked. They are subject to annual increments. They differ from employee to employee and depend upon the nature of jobs, seniority and merit.
- b) **Incentives-** These are also known as payment by results. These are paid in addition to wages and salaries. Incentive depends upon productivity, sales, profit or cost reduction efforts. Incentive schemes are of two types:
  - Individual incentive schemes.
  - Group incentive schemes.
- c) **Fringe Benefits-** These are given to employees in the form of benefits such as provident fund, gratuity, medical care, hospitalization, accident relief, health insurance, canteen, uniform etc.
- d) **Non- Monetary Benefits-** They include challenging job responsibilities, recognition of merit, growth prospects, competent supervision, comfortable working condition, job sharing and flexi time.

Compensation plan is to:

1. Develop a program outline
2. Designate an individual to oversee program design
3. Develop a compensation philosophy
4. Conduct a job analysis
5. Job Evaluation
6. Determining Grades
7. Establish grade pricing and salary range
8. Determine an appropriate salary structure.
9. Develop a salary administration policy
10. Obtain approval of the basic salary program
11. Communicate the final program
12. Monitor the program.