

III-UNIT FUNCTIONAL MANAGEMENT

Functional management is the most common type of organizational management. The organization is grouped by areas of specialty within different functional areas (e.g., human resource, marketing, finance, and engineering).

Human Resource Management (HRM): Human resource management focuses on all issues related to 'people' in the organization. The people in an organization are the most important assets. Managing human resource is one of the key functions of business organizations. The people in the organization instrumental to success, so managing people in an efficient and effective way is essential.

HRM refers to management of people in the organization. Human resource management is the process of managing the human resources of an organization in tune with the vision of the top management. In other words, it is through the human resources that the management attempts to convert its vision and mission into action.

Definition: Human resource management “the planning, organizing, directing and controlling of the various aspects of human resources to the end that individual, organizational and social objectives are accomplished”.

- Flippo

Concept of HRM: HRM is a management function that helps managers to recruit, select, train and develop members for an organization. HRM is concerned with the people's dimension in organization. HRM is the planning, organizing, directing and controlling of the procurement, development, compensation, integration and maintenance of human resources so that the individual, organizational and social objectives are accomplished. HRM is a broad concept where as personnel management (PM) and Human Resource Development (HRD) are part of HRM.

Objectives of HRM: The primary object of HRM is to ensure the availability of component and willing work force to an organization. Beyond this there are other objectives, too. Specifically, HRM objectives are four fold societal, organizational, functional and personal.

- ❖ **Societal Objectives:** To be ethically and socially responsible to the needs and challenges of the society while minimizing the negative impact of such demands upon the organization. The failure of organizations to use their resources for the society's benefit unethical ways leads to restrictions.
- ❖ **Organizational Objectives:** To recognize the role of HRM in bringing about organizational effectiveness. It is only a means to assist the organization with its primary objectives, simply stated, the department exists to serve the rest of the organization.
- ❖ **Functional Objectives:** To maintain the department's contribution at a level appropriate to the organization's needs. The department's level of service must be tailored to fit the organization it services.
- ❖ **Personal Objectives:** To assist employees in achieving their personal goals, at least insofar as these goals enhance the individual's contributed to the organization. Personal objectives of employees must be met if workers are to be maintained, retained and motivated.

Scope of HRM: The scope of HRM is dividing in three categories mentioned below:

- **HRM in Personnel Management:** This is typically direct manpower management that involves manpower planning, hiring (recruitment and selection), training and development, induction and orientation, transfer, promotion, compensation, layoff and retrenchment, employee productivity. The overall objective here is to ascertain individual growth, development and effectiveness which indirectly contribute to organizational development.
- **HRM in Employee Welfare:** This particular aspect of HRM deals with working conditions and amenities at workplace. This includes a wide array of responsibilities and services such as safety services, health services, welfare funds, social security and medical services. It also relates to supervision, employee counseling, establishing harmonious relationships with employees, education and training.
- **HRM in Industrial Relations:** Since it is a highly sensitive area, it needs careful interactions with labor or employee unions, addressing their grievances and settling the disputes effectively in order to maintain peace and harmony in the organization. It is the art and science of understanding the employment (union-management) relations, joint consultation, disciplinary procedures, solving problems with mutual efforts, understanding human behavior and maintaining work relations, collective bargaining and settlement of disputes.

Significance / Importance / Advantages of HRM:

- ❖ **Achieving Objective:** HRM helps a company to achieve from its objective from time-to-time by creating a positive attitude among workers. Reducing wastage and making maximum use of resources etc.
- ❖ **Facilitates Professional Growth:** Due to proper HR Policies employees are trained well and this makes them ready for future promotions.
- ❖ **Better Relationships between Union and Management:** Healthy HRM practices can help the organization to maintain co-ordinal relationship with the unions.
- ❖ **Helps an Individual to Work in a Team / Group:** Effective HR practices teach individuals team work and adjustment. The individuals are now very comfortable while working in team thus work improves.
- ❖ **Allocating the Jobs to the Right Person:** If proper recruitment and selection methods are followed, the company will be able to select the right people for the right job.

Human Resource Development (HRD): Human Resource Development is the part of human resource management that specifically deals with training and development of the employees in the organization. It is the framework for helping workers develops their professional and personal skills, abilities, and knowledge. Today HRD has grown in to a distinct subject and almost becoming a compulsory educational programme for all levels of managers and engineers.

Objectives of HRD: HRD is a people- oriented process. It aims at developing their competencies. The aim objectives of HRD can be summarized as below:

- **Employee Competencies:** To continuously identifying and evaluating the employee competencies in performing the activities and to bridge the gaps through development, so that they can meet the organisational requirements.

- Develop employee's level: To develop the employee motivational level to the maximum possible extent so that they can be the dynamic contributors of the organizational goals.
- Maintain climate: To develop a climate consisting of healthy superior-subordinate relationship, high team spirit and goal oriented personnel.
- It helps the employees to meet their future requirements.
- To increase organizational capabilities of recruit, retain, and motivate skilled employees.

Advantage / Significance of HRD:

- HRD develops the abilities of the employees by making them to understand the skills required to perform the job.
- HRD improves the communication system of the organization.
- HRD helps the organization in recruiting right people and placing them in the right job.
- HRD improves employee commitment by providing him the benefits like rewards incentives etc.
- HRD facilitates the continuous and planned growth of employees through career planning.
- HRD improves the team work by creating mutual trust and understanding among employees.

Personnel Management: Personnel management can be defined as obtaining, using and maintaining a satisfied workforce. It is a significant part of management concerned with employees at work and with their relationship within the organization.

According to Flipppo, “Personnel management is the planning, organizing, compensation, integration and maintenance of people for the purpose of contributing to organizational, individual and societal goals.”

Nature of Personnel Management:

- Personnel management includes the function of employment, development and compensation- These functions are performed primarily by the personnel management in consultation with other departments.
- Personnel management is an extension to general management. It is concerned with promoting and stimulating competent work force to make their fullest contribution to the concern.
- Personnel management exists to advice and assists the line managers in personnel matters. Therefore, personnel department is a staff department of an organization.
- Personnel management lays emphasize on action rather than making lengthy schedules, plans, and work methods. The problems and grievances of people at work can be solved more effectively through rationale personnel policies.
- It is based on human orientation. It tries to help the workers to develop their potential fully to the concern.
- It also motivates the employees through its effective incentive plans so that the employees provide fullest co-operation.
- Personnel management deals with human resources of a concern. In context to human resources, it manages both individual as well as blue- collar workers.

Following are the four functions of Personnel Management:

- **Manpower Planning:** Manpower planning can be defined as the process of ensuring the right number of qualified people, into the right job at the right time to deliver the results in an efficient and effective manner.
- **Recruitment:** “Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organizations”.
- **Selection:** selection means selecting the right candidate for the right job.
- **Training and Development:** Training is the organized procedure by which people learn knowledge and skills for a definite purpose. By imparting the skills and knowledge that improves his/ her knowledge from lower level to higher knowledge is called as Development.

Industrial Relations (IR): It is concerned with the relationship between management and workers and the role of regulatory mechanism is resolving any industrial dispute.

According to International Labour Organizations (ILO), IR deals with either the relationship between the state and employers and workers organizations are the relation between occupational organizations themselves.

Features of IR:

- Industrial relations are the relations between two parties connected with industrial / manufacturing activity, namely employer and employees. Such relations are the outcome of the employment relationship in Industry.
- The concept of industrial relations is complex and multi- dimensional. It is also a dynamic and developing concept.
- Industrial relations do not function in a vacuum. The attitude and approaches of employers, employees and trade unions are directly related to industrial relations.
- Industrial relations lead to “industrial peace” or “industrial unrest”. Both terms are used in relation to industrial relations. Pleasant industrial relations bring industrial peace i.e., a period when industrial disputes, strikes, lock-outs, etc. are absent and production activity is being conducted in a regular and continuous manner.
- Cordial industrial relations are always beneficial to all concerned parties whereas absences of such relations are harmful to all parties and even to the national economy.

PERSONNEL MANAGEMENT AND INDUSTRIAL RELATIONS (PMIR): Personnel management use the employee as an economic entity whose services can be exchanged for wage or salary. Management feels that the employees is a cost factor and wants to control the cost of labour. In this approach employees are mostly used for organizational benefit and personnel function is taken as an auxiliary function.

Differentiating between Personnel Management Vs Human Reassurance Management


Basis for comparison	Personnel Management	Human Resource Management
Meaning	The aspect of management that is concerned with the work force and their relationship with the entity is known as Personnel Management.	The branch of management that focuses on the most effective use of the manpower of an entity, to achieve the organizational goals is known as Human Resource Management.
Approach	Traditional	Modern
Treatment of manpower	Machines or Tools	Asset
Type of function	Routine function	Strategic function
Basis of Pay	Job Evaluation	Performance Evaluation
Management Role	Transactional	Transformational
Communication	Indirect	Direct
Labor Management	Collective Bargaining Contracts	Individual Contracts
Initiatives	Piecemeal	Integrated
Management Actions	Procedure	Business needs
Decision Making	Slow	Fast
Job Design	Division of Labor	Groups/Teams
Focus	Primary activities like employee hiring, remunerating, training, and harmony.	Treat manpower of the organization as valued assets, to be valued, used and preserved.

FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

HRM functions can be broadly classified into two categories:

- i) Managerial functions. ii) Operative functions.

Managerial Functions	Operative functions
➤ Planning	➤ Procurement
➤ Organizing	➤ Development
➤ Staffing	➤ Compensation
➤ Directing	➤ Integration
➤ Controlling	➤ Maintenance

 **Managerial Functions:** Managerial functions of the human resource department are planning, organizing, staffing, directing and controlling. All the functions have an impact on the operative functions.

- **Planning:** Planning involves formulating the future course of action. Planning includes determining in advance the personnel programmes and changes required that would contribute to the achievement of organizational goals. It also includes identifying human resource requirements and forecasting personnel needs, foreseeing the changes in employees' attitudes and evolving effective ways of handling these changes.

- **Organizing:** Organizing involves establishing an intentional structure of roles for people in an organization. Structural considerations such as the chain of command, division of labor, and assignment of responsibility are the part of the organizing function. Careful organizing ensures effective use of human resources. The organizing function establishes relationships among employees so that they can contribute collectively towards the attainment of organizations goals.
- **Staffing:** This is a process of obtaining and maintaining capable and competent personnel in various positions at all levels. It broadly encompasses manpower planning, recruitment, selection, placement, induction and orientation, transfer, career progression and separation.
- **Directing:** It is the process of directing all available resources towards the common organizational goals thus, direction is vital management function, which ensures maximum employees contribution and also helps in establishing sound industrial and human relations. It is the managerial function consisting of all those activities which are concerned directly with guiding, influencing and supervising the subordinates in their jobs.
- **Controlling:** Controlling as a function of management means the measurement and correction of performance of activities of subordinates in order to make sure that enterprise objectives and plans devised to attain them are accomplished. This function performance against the goals and plans identifies the deviations and by placing the process back on track, helps in accomplishment of plans.

 **Operative Functions:** Operative function may be discussed as under:

- ◆ **Procurement:** It is concerned with the obtaining of the proper kind and number of personnel necessary to accomplish necessary organization goals. The function is related to subjects like the determination of manpower requirements and their recruitment, selection and placement. The manpower requirements are calculated in terms and numbers of personnel needed and their quality. Selection and placement cover different activities designed to screen and hire personnel, such as, application forms, psychological tests, interviews and induction.
- ◆ **Development:** After the personnel have been obtained, it is necessary to develop them. Development implies the increase of skill, through training, that is necessary for proper job performance. This aspect of personnel function has acquired great importance even in our country during the last quarter of a century or so due to greater use of technology in every department of a business enterprise.
- ◆ **Compensation:** This function can be defined as the adequate and equitable remuneration of personnel for their contributions to organization objectives. In developed countries, compensation cannot be described as a great motivating force as strong as it is in less developed countries. Compensating remains one of the basic functions of personnel management.
- ◆ **Integration:** It can be defined as an attempt to effect a reasonable reconciliation of individual and organizational interests. Integration must follow the above three functions of procurement, development and compensation. The function of integration relates to problems of communication, informal organisation and trade unions.
- ◆ **Maintenance:** Maintenance refers to sustaining and improving the conditions that have been established. This would thus include the above functions. However, it must be pointed out that it would be necessary to take care of physical well-being and mental well-being of the employees. Maintenance activities include improving working conditions, employee relations, safety and health and soon.

FUNCTIONS OF HR MANAGER: A human resource manager has two basic functions: overseeing department functions and managing employees. That's why human resources managers must be well-versed in each of the human resources disciplines – compensation and benefits, training and development, employee relations, and recruitment and selection.

1. Managing Employee Relations: Whether a dispute happens between a manager and a regular employee or between two employees, it needs to be resolved as fairly and equitably as possible. Employees know they can take their grievances to the HR department, and HR professionals work to sort everything out to arrive at a compromise.

2. Hiring Employees: From advertising vacancies to interviewing job candidates, HR professionals play a key role in hiring employees. In larger companies, there may be recruitment specialists on staff who are strictly there to look for new talent.

3. Administering Pay and Benefits: Although these tasks are increasingly being outsourced, they are still handled by HR professionals in many small- and mid-sized companies.

4. Coordinating Promotions and Reassignments: HR professionals work to keep a company operating as smoothly and efficiently as possible. One way they make that happen is by making sure that the right people are handling the right tasks.

5. Terminating Employees: Termination of employment is an employee's departure from a job and the end of an employee's duration with an employer. Termination may be voluntary on the employee's part, or it may be at the hands of the employer, often in the form of dismissal (firing) or a layoff.

WAGE PAYMENT PLANS: Wage and salary administration is the process of fixing wage/salary for different jobs in the organization through job evaluation, negotiations with the unions, and so on. Where wage is paid on the basis of the time spent in the organization is called Time Wage system. In the production and sales department, the production or sales staff can be paid based on the units produced or sold. This method is called Piece Wage system. The salary constitutes the basic salary, dearness allowance, house rent allowance and other allowances. Depending upon the nature of organization, there are different types of employee benefits. Some benefits include profit sharing, bonus, leave travel concessions, medical reimbursement, provident fund, gratuity, group insurance schemes, pension, accident compensation, leave with pay, educational allowance, and so on.

Wages: It is the payment for the use of effort, which may be physical or manual. It includes both financial and non-financial payments.

Fair Wages: It is the wages which are fair to the efforts (or labour) and work-accomplishment of an employee. These should be sufficient to fulfill the basic needs of life.

Salary: salary is employee compensation calculated weekly, monthly, or annual basis. It is usually paid to white-collar workers such as office personnel, executives and professional employees.

Fringe-Benefits: Non-financial part of wages is called as fringe-benefits. Examples: free official car, free house, attendant for house-hold work, gratuity, PF, etc.

Incentives: Incentives are the rewards an employee earns in addition to regular wages or salary based on the performance of the individual, the team or the organization.

Type of Wage payment Plans:

1. Time Wage System or Time Rate System
2. Piece Wage System or Work Rate System
3. Other Methods of Wage Payment Plans

1. Time Wage System or Time Rate System: Under this system, laborers get wage on the basis of time which is utilized in organisation. This wages may be charged on per hour, per day, per month or per year basis. There is no relation or quantity of output and wages in this method. In India's industry, this method is most popular. Its other name is day wages system or time work system.

Formula: Total Wages = Time taken X Rate

Ex- A worker produced 10000 articles in 7600 hours. His hourly wage rate is Rs. 2 /- . Calculate the wage of the worker when he is paid on the basis of time.

Solution: Total Wages = Time taken X Rate = 7600 X 2 = Rs.15200/-.

2. Piece Wage System or Work Rate System: Under this method or system, laborers can get the wages on the basis of their work done. No time element will be used for calculation of wages. Rate is also on the basis of quantity or unit produced. This method is also called payment by result.

Formula: Total Wages = Unit Produced X Rate per unit

Ex- 2500 units were produced by a worker in 1200 hrs. Rate of production is Rs. 3 /- per unit. Calculate the wage of the worker if he is paid according piece rate method.

Solution: Total Wages = Unit Produced X Rate per unit = 2500 X 3 = Rs.7500/-

3. The Other Methods of Wage Payment under Incentive Plans:

a) Output Based methods

b) Time Based methods

a) Output Based methods:

1. Straight Piece Rate System: It is the simplest method of payment by result in which payment is made according to the number of units produced at fixed rate per unit.

2. Taylor's Differential Piece Rate Plan: F.W. Taylor, the Father of Scientific Management devised this plan. Under this system, standard task is established through time and motion study. The objective is to provide sufficient incentive to workers to work hard and achieve the standard.

Ex- Suppose the standard output is 50 units per day. The piece rates fixed are Rs. 4.00 and Rs. 3.00 per unit. Three workers A, B and C produce 40, 50 and 60 units respectively during a day. Their total wages will be as follows: Worker A: $40 \times \text{Rs. } 3.00 = \text{Rs. } 120$

Worker B: $50 \times \text{Rs. } 4.00 = \text{Rs. } 200$

Worker C: $60 \times \text{Rs. } 4.00 = \text{Rs. } 240$

Merits

- It provides sufficient incentives to efficient workers to put forth their best efforts.
- Inefficient workers are penalized but encouraged to reach the standard.
- Use of time and motion study help to improve and standardize work methods.
- Workers have not to share the reward with the foreman.

Demerits

- There is no guarantee of minimum wage to workers.
- The plan is harsh to workers who are just below the standard.
- It treats the workers as machines rather than as human beings.
- The employer may fix a very high standard which workers may find difficult to achieve.

3. Merrick's Multiple Piece Rate Plan: This plan was developed to overcome a drawback in Taylor's plan. This drawback relates to an abrupt change in piece rate. Under it, three graded piece rates are prescribed. Workers producing less than 83% of the standard output are paid at a basic piece rate. Those producing from 83% to 100% of the standard output are paid 110% of the basic piece rate. Workers producing more than the standard output are paid at 120% of the basic piece rate.

Merits

- This plan reduces the severity of the Taylor's plan.
- It is less harsh to beginners or learners.
- It is more flexible.
- It is useful where the performance level is to be increased to 100 per cent.

Demerits

- Minimum wage is not guaranteed to workers.
- It is liberal for the efficient workers. But all workers producing from 1% to 82.9% of the standard output are classified as sub-standard and are paid at the same piece rate.

4. Gantt's Task and Bonus Plan: This plan was developed by Henry L. Gantt. Minimum time wage is guaranteed to all workers. A worker who fails to complete the task within the standard time receives wage for actual time spent at the specified rate. Workers who achieve or exceed the standard get extra bonus varying between 20% to 50% of the hourly rate for the time allowed for the task.

Ex: Suppose the standard time fixed for the job is 8 hours and the time rate is Rs. 20 per hour and the rate of bonus is 25 per cent. A worker, who completes the task in 10 hours, will be paid Rs. 160 ($8 \times \text{Rs. } 20$) only. On the other hand, the worker who completes the task in 6 hours will receive Rs. 200 ($\text{Rs. } 160 + 25\%$ of Rs. 160).

Merits

- Minimum wage is assured to all workers.
- Wage increase progressively with increase in efficiency. Therefore, there is sufficient incentive for efficient workers.
- Inefficient workers are not penalized severely.

b) Time Based methods:

1. Halsey or Weir Plan: This plan was developed by F.A. Halsey and was first introduced in the Weir Engineering Works, England. Under this plan, a standard time is fixed on the basis of past performance records. A worker who completes his job within or more than the standard time is paid a guaranteed time wage. A bonus (usually 50 per cent) of the time saved is paid to a worker who completes his job in less than the standard time. The bonus is calculated on the basis of time rate.

Formula: Total wages = $T \times R + \% (S - T) R$

Where, **T** = actual time, **R** = Rate per hour, **S** = Standard time, **%** = 50% otherwise mentioned in the question.

Ex: Standard Time (S) = 10 hrs.
 Time Taken (T) = 8 hrs.
 Rate of Wages (R) = Rs. 20 per hr.
 Bonus (P) = 50%
 Total Wages (W) = $T \times R + 50\% (S - T) \times R$

$$= 8 \times 20 + \frac{50}{100} \times (10 - 8) \times 20$$

$$= 160 + 20 = \text{Rs. } 180.$$

Merits

- The plan is simple to understand. A worker can easily calculate his earnings.
- Both the employee and the workers get equal benefit of time saved.
- A guaranteed minimum wage to every worker provides a sense of security.
- The plan encourages the workers to be efficient because bonus is based on time saved.

Demerits

- Standards based on past performance may not be scientific and fair.
- Workers get only half of the benefit of their efficiency.
- Much clerical work is involved because records of time saved and bonus earned have to be kept for each worker.

2. Rowan Plan: This is a modified form of Halsey Plan. It was developed by James Rowan of England. Under it, a minimum time wage is guaranteed to every worker. A standard time is determined in advance. The bonus is that proportion of the wages which the time saved bears to the standard time.

Ex:

$$\begin{aligned}\text{Total Wages} &= T \times R + \left[T \times R \times \frac{\text{Time Saved}}{\text{Standard Time}} \right] \\ &= 8 \times 20 + \left[8 \times 20 \times \frac{2}{10} \right] \\ &= \text{Rs. 192.}\end{aligned}$$

Merits

- The guarantee of minimum wage gives a feeling of security.
- Both the employer and the workers share the benefits of time saved.

Demerits

- The plan is difficult to understand for an average worker.
- Efficient workers are discouraged to save more than half of the standard time.

JOB EVALUATION: Job evaluation is the technique of assessing systematically the relative worth (in monetary terms) of each job. It provides valuable insights into certain questions such as why the chief executive is paid the highest, why the production supervisor in the shop floor is paid lesser, and so on. Job evaluation is the process of systematically determining a relative internal value of a job in an organization. In all cases the idea is to evaluate the job, not the person doing it. Job evaluation is the process of determining the worth of one job in relation to that of the other jobs in a company so that a fair and equitable wage and salary system can be established.

According to Kimball and Kimball, “Job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basic wage for such a job should be.”

Aims of Job Evaluation: The aims of job evaluation are:

- To provide a basis for ranking jobs to grade and group them under a salary scale.
- To ensure that job values are assessed on an objective basis, from an analytical study of the job content, to the possible.
- To provide the data base of facilitate the reviews and update of job values.

Importance of Job Evaluation: Job evaluation is a process of determining the relative worth of a job. It is a process which is helpful even for framing compensation plans by the personnel manager. Job evaluation as a process is advantageous to a company in many ways:

- **Reduction in inequalities in salary structure** - It is found that people and their motivation is dependent upon how well they are being paid. Therefore the main objective of job evaluation is to have external and internal consistency in salary structure so that inequalities in salaries are reduced.
- **Specialization** - Because of division of labour and thereby specialization, a large number of enterprises have got hundred jobs and many employees to perform them. Therefore, an attempt should be made to define a job and thereby fix salaries for it. This is possible only through job evaluation.
- **Helps in selection of employees** - The job evaluation information can be helpful at the time of selection of candidates. The factors that are determined for job evaluation can be taken into account while selecting the employees.
- **Harmonious relationship between employees and manager** - Through job evaluation, harmonious and congenial relations can be maintained between employees and management, so that all kinds of salaries controversies can be minimized.
- **Standardization** - The process of determining the salary differentials for different jobs become standardized through job evaluation. This helps in bringing uniformity into salary structure.
- **Relevance of new jobs** - Through job evaluation, one can understand the relative value of new jobs in a concern.
 - It provides benchmarks for comparing the complexities.
 - It facilitates career planning.
 - It streamlines responsibility levels.
 - It helps flatten organizational levels.
 - It ensures the hiring of the right people.

Methods of Job Evaluation / Quantitative Methods of Job Evaluation: The methods of job evaluation can broadly be classified as

- i) Non-analytical methods and
- ii) Analytical methods

i) Non-analytical methods: These methods are traditional and simple. They consider all the jobs available, compare them, and then rank them. In complex organizations, they cannot be used. They can be used in such cases where the jobs are distinctly different and not similar. Non-analytical methods of job evaluation are

a) Ranking method: Under this method, the jobs in the organization are arranged either in the ascending or descending order and numbered serially. The basis of such arrangement could be the job description in

terms of duties, responsibilities, qualifications needed, relative difficulty involved in doing the job, or value to the company. The job which carries the highest value to the company is paid the most, and vice versa similarly, the job that carries critical duties and responsibilities carries a relatively higher worth.

Evaluation- conceptually, this is easy to understand and implement, particularly for a smaller organization. However, it fails to indicate the degree of difference between each grade. Subjectivity cannot be ruled out in the process of ranking. In other words, value is placed on the people doing those jobs rather than on the job itself. However, this method cannot be used in larger organizations.

b) Job classification method: This is also called job-grading method. Here, the number of grades and the salary particulars for each grade are worked out first. The grades are clearly described in terms of knowledge, skill, and so on. Then the jobs in the organization are allocated to these grades as per the job description and grades identified.

Evaluation- This is relatively simple to understand and easy to carry out, it is totally based on the number of grades and salary particulars for each grade worked out first. It may not be possible to make clear distinctions between jobs. In a complex organization with a wide variety of specialist roles, it is very difficult to implement this method

ii) Analytical methods: Under these methods, the jobs are broken down into different tasks. Different factors such as skill, responsibility, education level, and so on, are assessed for each job. The comparison of factor, sometimes, allocating points or monetary sums for each factor is made for meaningful. There are two types of analytical methods: a) factor comparison method and b) Points rating method.

a) Factor comparison method: Every job requires certain capabilities on the part of the person who does the job. These capabilities are considered as critical factors, which can be grouped as listed below:

- ❖ mental requirements (education , alertness, judgment, initiative , creativity, ingenuity, versatility)
- ❖ Skill requirements (use of equipment and materials, dexterity, precision)
- ❖ Physical requirements (strength , endurance)
- ❖ Responsibility (for the safety of others ; for equipment, materials, process ; cost of error , extent of supervision exercised)
- ❖ Working conditions(work pressure, accident hazard , environment)

b) Point-rating methods: The point method is an extension of the factor comparison method. Each factor is then divided into levels or degrees which are then assigned points. Each job is rated using the job evaluation instrument. The points for each factor are summed to form a total point score for the job.

Skill: Education and job knowledge, Experience and training, Initiative and ingenuity, Physical dexterity (skills)

Effort: physical effort, Mental and/or visual effort.

Responsibility (for): tools and equipment, materials or products, Safety of staff, Others 'work

Job conditions: working conditions, unavoidable hazards, Immediate surroundings

MERIT RATING: Merit rating is the process of evaluating the relative merit of the person on a given job. It is an essential task of the personnel manager to distinguish the meritorious employees from the others. The data collected from this task is used for strategic decisions such as releasing an increment in pay, promotion, transfer, transfer on promotion to a critical assignment, or even discharge. It is distinctly different from job evaluation. In job evaluation, the jobs are evaluated, not the doers of the job. In merit rating, the person doing the job is evaluated based on his or her performance.

Objectives of Merit Rating:

- (a) It helps to assess an individuals' merit for better placement, promotion, increment, etc.
- (b) It helps to show the defects of the workers as well as his positive side.
- (c) It helps to ascertain the simplified wage structure and an incentive payment.
- (d) It also helps to place a right person in a right job.

Advantages of Merit Rating: The advantages of Merit Rating are:

- (i) It eliminates the discrepancies among the workers, reduces labour turnover, improves employer-employee relation, etc.
- (ii) It helps to ascertain fair wages for the workers as per their ratings.
- (iii) Promotion, transfer, training etc. may be made on the scientific basis of merit rating.
- (iv) It provides an incentive among the workers to improve themselves and the productivity

Methods of Merit Rating: There are different methods of assessing the performance of the person on the job. While most of them are based on supervisor's remarks, some of them are based on self-evaluation. In other words, particularly at higher executive positions, the employee is given an opportunity to evaluate his own performance against his own preset objectives. The following are the different methods merit rating.

a) Ranking method

b) Paired comparison method

c) Rating scale

d) Forced distribution method

e) Narrative or essay method

f) Management by objectives (MBO)

a) Ranking method: In this method, all the staff of a particular cadre or a department are arranged either in the ascending or the descending order in order of merit or value to the firm. Though this is a simple method, it cannot be followed where the employees in the department are many in number. This method fails to identify the degree of differential merit among the staff.

b) Paired comparison method: Here, every employee is compared with all others in a particular cadre in the department. By comparing each pair of employees, the rater can decide which of the employees is more valuable to the organization. This method is more useful for an overall comparison of employees and if the number of employees is reasonable.

c) Rating scale: Here, the factors dealing with the quantity and quality of work are listed and rated. A numeric value may be assigned to each factor and the factors could be weighed in the order of their relative importance. All the variables are measured against three or five point scale. For instance, if a variable such as skill on the job is evaluated, a three point scale could be:

Traits	good	Fair	poor
Skills on the job	3	2	1
Punctuality	3	2	1
Cooperation	3	2	1
Care towards the equipment and tools	3	2	1

Similarly, a five point scale could be excellent, good, satisfactory, average, and poor in which case the weightage could be 5, 4, 3, 2 and 1 respectively. Several traits or attributes such as punctuality, efficiency, cooperation, initiative, and others are evaluated on such a scale. The indication is recorded by marking the concerned number representing the degree to which the individual satisfies the standard. The numbers also serve as weights, which can be added to judge the relative merit of the each employee. The rating scale is a widely used method of evaluating performance because it is economical to develop and easily understood by the workers and the evaluator. A major weakness is that each evaluator is apt to interpret the factors such as skills on the job and the degrees describing that factor are marked off along the scale (such as good, fair, poor). This method is simple to administer but cannot sharply differentiate the employees.

d) Forced distribution method: Forced distribution is a method of employee performance appraisal that many companies use. It is also called forced distribution method, stacked ranking, or bell-curve rating. It is a rating system that employers use to evaluate their workers. Managers must evaluate each employee, usually into one of three categories, i.e., poor, good, or excellent. There may be more categories.

e) Narrative or essay method: Essay performance appraisals are for use in addressing performance factors in the most comprehensive manner possible. Managers who write essays about employee performance assess virtually every aspect of the employee performance. Essays include performance assessments concerning job knowledge and proficiency, developmental activities, interpersonal communication and business ethics and philosophy. This type of performance appraisal is generally suited to mid- to senior-level managers. Essay performance appraisals require a substantial investment of the manager's time – preparation, construction and discussion are three major points in the essay format performance appraisal.

f) Management by objectives (MBO): Management by objectives (MBO) is a management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation and commitment among employees, as well as aligning objectives across the organization.

MARKETING MANAGEMENT

Introduction: Marketing is an essential function of a modern organization whether it deals in products or services. In other words, marketing constitutes an essential function of modern business organizations to ensure that demand for a product or service persists along with customer retention. It has become vital ingredient in the success of a business.

Market: Market is a place where buyers and sellers gather to exchange goods and services.

Definitions:

“Marketing is the performance of business activity that directs the flow of goods and services from production centre to consumption centre”.
- **American Marketing Association.**

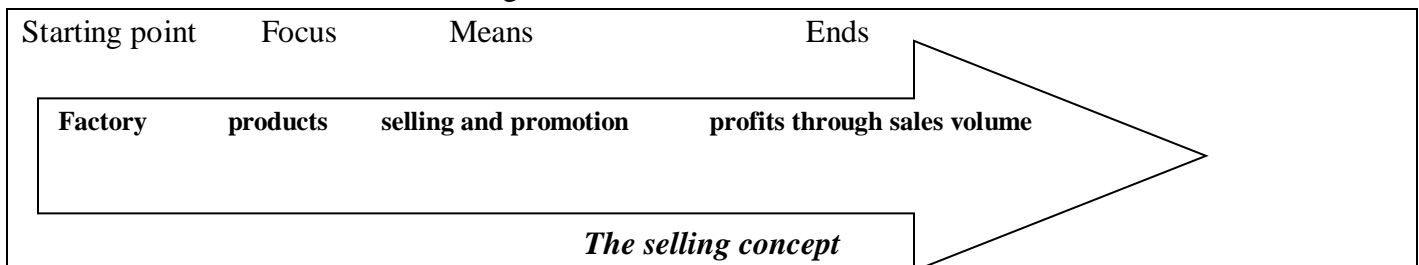
“Marketing as societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others”.
- **Philip Kotler.**

Objectives of marketing:

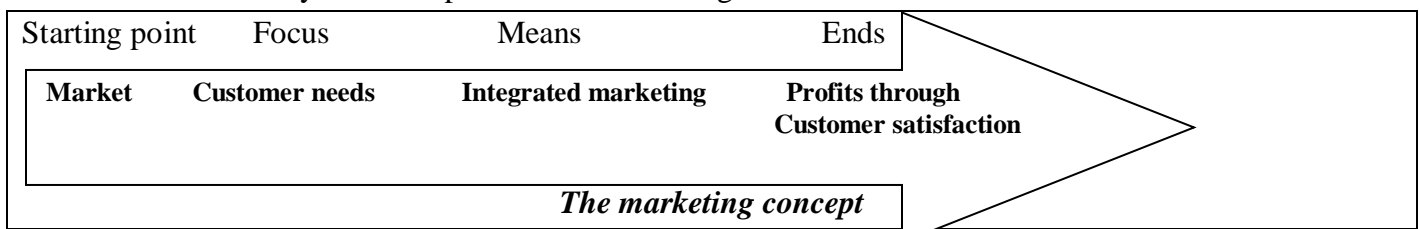
- Ensuring profit to the manufacturers.
- Providing satisfaction to the consumers.
- To provide best solutions for the marketing problems.
- To develop the guiding policies and their implementation for good results.
- To review existing marketing functions.

Marketing Concept: The marketing concept is the way of life in which all the resources of an organization are mobilized to create, stimulate and satisfy the consumer at a profit. Here mainly we have to know about two concepts namely: **i) the selling concept.** **ii) The marketing concept.**

i) The selling concept: Selling refers to the act of transferring the ownership of the goods and services from the seller to buyer. Selling is the term applied to the process of distributing goods from producer to consumer. It is a function of marketing.



ii) The marketing concept: The marketing concept holds that key to achieve its organizational goals consists of the company being more effective and efficient in determining the needs, wants, interests of the target markets and delivering the desired satisfactions than the competitors. “Marketing starts and ends with the customer only the concept is shown in the diagram.

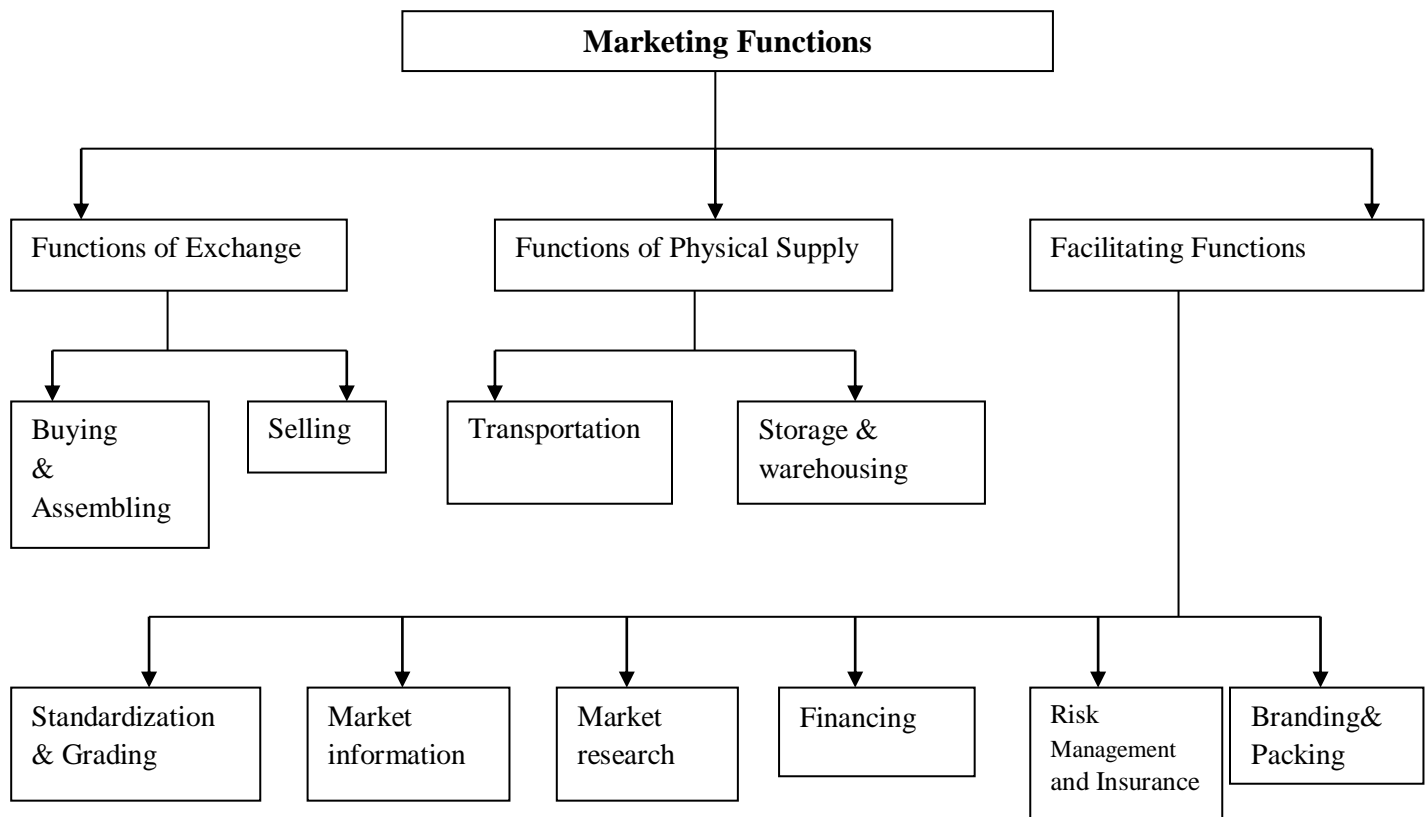


Benefits of the marketing:

- **Marketing concept benefits the organization:** The practice of the concept brings substantial benefits to the organization that practices. Any organization which practices the concepts of marketing audit, market research and consumer testing, it can easily faces any changes regarding the buyer behavior, and capable to provide the satisfaction to the customers then automatically the organization benefited.
- **Marketing concept benefits the Consumer:** The consumer is in fact the major beneficiary of the marketing concept, the attempts of various computing firms to satisfy the consumer put him in an enviable position. The concept prompts the producers to constantly improve their products and to launch totally new products it is more beneficiary to consumers.
- **Marketing concepts benefits the society:** The concept guarantees that only products that are required by the consumers are produced and thereby it ensures that the society's economic resources or channelized in the right direction. It also makes economic planning more meaningful and relevant to the life of the people.

FUNCTIONS OF MARKETING

All business organizations perform two basic operating functions i.e., they produce product or a service and they market it. Production and marketing both functions are important to an organization. For marketing a product a company has to perform no .of marketing functions. Marketing functions have been classified by different marketing experts in to three different ways. They are shown in the following diagram.



Exchange Functions:

- **Buying:** It is one of the important functions of 'Exchange'. It requires planning of purchases, search for the sellers, selection of goods to be bought, assembling of goods in right quantity, quality at the right place and time at the right price. In a formal exchange, the buyer has to negotiate terms of purchase and enter into a contract of purchase.
- **Assembling:** It has two meanings first is creation and maintenance of stock of products, purchased from different sources at common point. Second is raw materials are purchased and make in to order to produce goods and services.
- **Selling:** It is an important function from the point of view of the seller as well as the consumer; Selling creates demand for a product. Selling function involves product planning and development, finding out or locating the buyers, negotiation of terms of sale such as price, quantity, quality, date of delivery etc., and sale contract leading to transfer of title and possession of goods.

Functions of physical supply:

- ◆ **Transportation:** It is physical means whereby goods are moved from point of production to the place where they are required for consumption. Different modes of transportation like bullock cart, bus, train, aeroplane, ships, etc., can be used for the movement of goods. However the pros and cons of using each mode should be carefully analyzed before selecting the appropriate mode.
- ◆ **Storage:** Storage function provides time utility by holding and preserving products and delivering them according to the requirements of market. If the product is seasonal and demand is stable, storage becomes essential.
- ◆ **Warehousing:** Warehousing makes the storage function more effective. Warehouse creates time and store utility. It is necessary to carry production and distribution on large scale.

Facilitating functions:

- **Standardization:** Standardization refers to determine the basic limits to different classes of products i.e. to establish standards for different grades of a product. Standard is a list of specifications based on size, color, appearance, strength, shape, amount of moisture, taste etc., standardization plays an important role in the marketing of products.
- **Grading:** Grading refers to sorting of products into different lots each of which has same characteristics with respect to quality, size. Grading helps in selling through description rather than personal verification.
- **Marketing Information:** It is a vital resource in business for taking marketing decisions. Information has to be collected, processed and interpreted. Marketing executives are expected to know the trends in market demand, supply, prices and related market information.
- **Marketing Research:** It is the function concerned with gathering, analyzing and interpreting data in a systematic and scientific manner. It helps to analyze the buyer's behavior, popularity of product, distribution, grading, policies, strength and weakness etc.
- **Financing:** Financing is the life blood of commerce. Without finance the whole marketing activity may come to a standstill. The finance for marketing activities obtained from banks, individuals, financial institutions etc. Therefore, for exchange of goods and services and for other marketing activities finance is a vital aspect.
- **Risk Management and Insurance:** One of the important functions of marketing management is risk bearing. In any marketing activity uncertainty is bound to exist. This uncertainty may result in

the form of either loss or profit. The unpredictable nature of the consumers, changing fashions, increasing competition and increasing costs of production has led to the concept, “Risk-bearing. Some of the risks may be avoided by taking insurance coverage.

- **Branding:** A brand is a name, term, symbol, design or combination of them which is intended to identify the goods and services of one seller or group of seller and to differentiate them from competitors.
- **Packing** – Packing concerned with formulation of container or wrapper of product. Its main objective is to provide convenience in handling, ensures freshness and quality of the product.

PRODUCT LIFE CYCLE

The product life cycle (PLC) quite popular in the world of marketing, this concept has been used as a tool for forecasting and also for developing marketing strategy. In other words, this model explains the market responses to a new product introduced in the market over a period of time.

Definition:

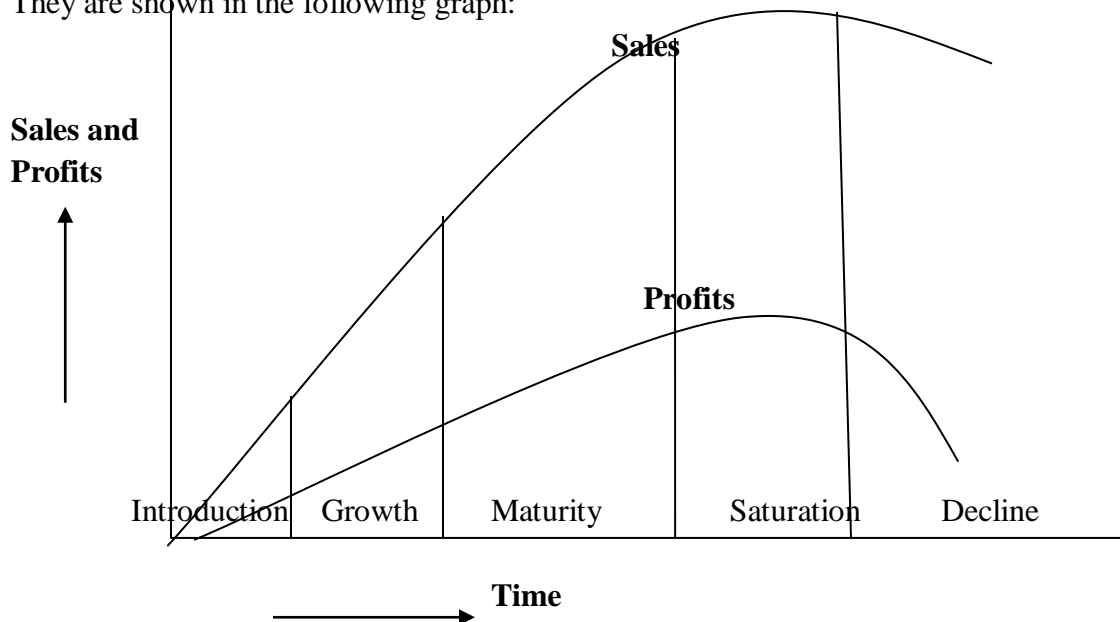
“Product life cycle has been defined as an attempt to recognize distinct stages in the sales history of the product”.

-Phillip Kotler

Purpose of product life cycle:

- To take vital product related decisions.
- To estimate the sales/ profit of the product at different phases of the life cycle.
- To prolong the profitable phases.

Different stages in product life cycle: There are mainly five distinct stages in the life cycle of a product. They are shown in the following graph:



i) Introduction Stage: In this phase the company introduces the product into the market. A period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses incurred with product introduction stage. This stage is characterized by slow growth, very low / negative profits, consumer awareness is very low, buyer's who are belonging to high income group only purchase the product in this stage even the price of the product is high.

Features:

- ✓ Sales growth is low.
- ✓ High distribution cost.
- ✓ High promotion cost.
- ✓ Competitors are few.

Market Strategies used in this stage:

- Companies try to create product awareness.
- Build distribution network.
- Pricing and promotional strategies are crucial.
 - i) Follow skimming price strategy and high promotion.
 - ii) Follow penetration price strategy and low promotion.
- Inform to potential customers.

ii) Growth stage: A period of rapid market acceptance and substantial profit improvement. The growth stage is characterized by rapid growth in sales and profits. In this stage number of competitors increase and manufacturers make major product improvements. The product begins to make rapid profit sales gains because of the effects of the introductory promotion, distribution, and word-of-mouth influence.

Features:

- ✓ Most rewarding stage for the marketers.
- ✓ Sales climb up rapidly.
- ✓ Marked improvement in profits.
- ✓ Competition intensified.
- ✓ Enter in to new market and market segments.

Strategies:

- Reduce prices slightly to reach the more price sensitive potential customers particularly when the market moves towards maturity.
- It improves product quality and adds new product features and improved styling.
- Spend more amounts on promotional activities.
- It increases its distribution coverage and enters new distribution channels.
- It shifts from product awareness- advertising to product preference advertising.

iii) Maturity stage: The maturity stage is most common stage for all markets, in this stage that the competition intense as to maintain their market share, here both marketing and finance become key activities. Marketing expenditure monitor carefully, any significant moves are likely to be copied by competitors. The maturity time when more profit is earned by the market as a whole, at this stage the product covers mass markets. Manufacturers come forward with new product models.

Features:

- ✓ Growth rate of sales slowdown.
- ✓ Competition becomes severe.
- ✓ Marketing is flooded with many competing products.
- ✓ This stage continues for a reasonable period of time.
- ✓ Consumers start switching to new brands.

Strategies:

- Market modification. (It includes conversion non user in to users, enter in to new market segments.)
- Product modification. (i.e. means quality improvement, features improvement, and style improvement of the product)
- Overall change in market mix.(i.e. putting low price for attracting customers, set up sales promotion measures.)

iv) Saturation stage: When the sales growth in stabilize position, such a stage is called saturation. The size of the market does not increase beyond this stage. In other words, any new customer entering the market is replaced by an old customer who has stopped buying the product. All sales are simply replacement sales or repeat purchases by the same customer.

Features:

- ✓ In this stage profits are in peak position and don't shows any further growth.
- ✓ It acts as an indication to the manufacture product is ready to fall in decline stage.

Strategies:

- In this phase the manufacture try to protect his product without fall in decline stage for that it concentrates more on product that means remodels the product.
- Introduce price-cuts, discounts, and so on. To retain the existing customers.

v) Decline stage: A period where the sales and profits decline to low level or to zero. In this decline stage, the market is shrinking, reducing the overall amount of profit that can be shared amongst the remaining competitors. At this stage, great care has to be taken to manage the product carefully.

The sales and profits are ultimately decline because of the changes occurred in customer's preferences, competitive structure in the market, technology, and increased domestic and foreign competition.

Features:

- ✓ Sales may come down to zero.
- ✓ Continue at very low levels for some years.
- ✓ The customer switch over newer better brands increase.
- ✓ Either low profit or low levels of profit maintained.
- ✓ Advertisement budget of the company also comes down because company may struggle to meet its costs.

Strategies:

- Decrease the firm's investment level selectively by dropping unprofitable products.
- Maintain and sell the product.

CHANNELS OF DISTRIBUTION

Meaning: Distribution Channels are the paths that goods and title to them follow from producer to consumer. They are the means by which all organization distribute the goods and services they are producing and marketing.

Definition: According to Philip Kotler- “A channel of distribution is a set of independent organization involved in the process of marketing a product or service available for use or consumption.

Factors Affecting the Choice of Channel of Distribution: There are several factors that affect the choice of a channel. Some of the factors are listed below.

- **The nature of company's business:** choose the channel according to the nature of business activity such as agricultural products, industrial products, and soon.
- **The type of product sold:** The goods may be consumer goods (such as bread), consumer durable goods (TV or refrigerator), or producer or industrial goods (engines, bearings), and others.
- **The price of unit of sale:** If the price of one unit is as high as that of an aeroplane, the producer can contact the consumer directly.
- **The profit margins and mark-ups:** These, together with the extent of the seller's product line, play a role in attracting distributors to handle the goods.
- **Degree of competition:** If the competition is intense, the manufacturer has to arrange for even door-to-door selling or retail outlets such as automatic vending machines at prominent, busy, and crowded places.

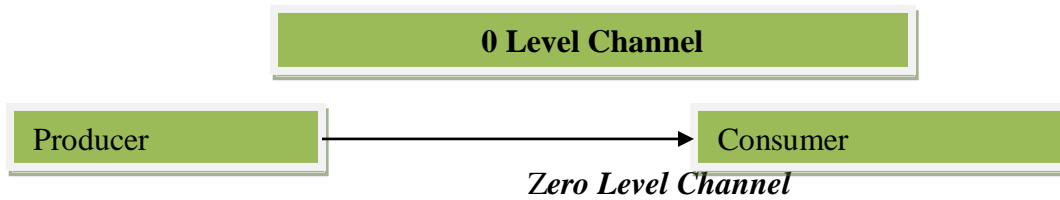
Why Do Manufacturers Favour Intermediaries:

- **Reduced overall investments:** When distribution is given away to channel intermediaries, the producer can maintain his production activity with reduced investments.
- **Economies of scale:** Each individual producer may not have enough number of products and quantity of production to sustain an independent distribution network by himself. So in such a case, it is beneficial for the producers to opt for intermediaries.
- **Local market knowledge and specialization:** Most of the producers prefer to tie up with the local market intermediaries for distribution if their goods and services because they have enough experience in that field, so that they can peacefully concentrate on the production matters.
- **Transactional efficiency:** It may be difficult to buy a little quantity of each product the varieties manufactured by different producers. The basic benefit the intermediaries provide is to assort the heterogeneous products of many producers in a meaningful way as desired by individual customers.

Levels/Types of Channels: There are mainly two types of distribution channels namely

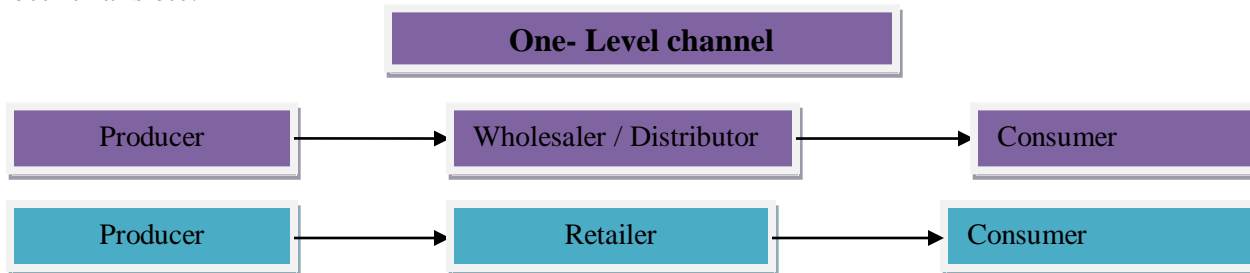
- i) Direct Market Channel ii) Indirect Market Channel

i) Direct Market Channel: Direct Market Channel is the simplest and shortest channel through which goods reach the ultimate consumer without the services of middlemen and it is highly applicable in the case of industrial goods. **Ex:** Amway Co. (Zero Level Channels)

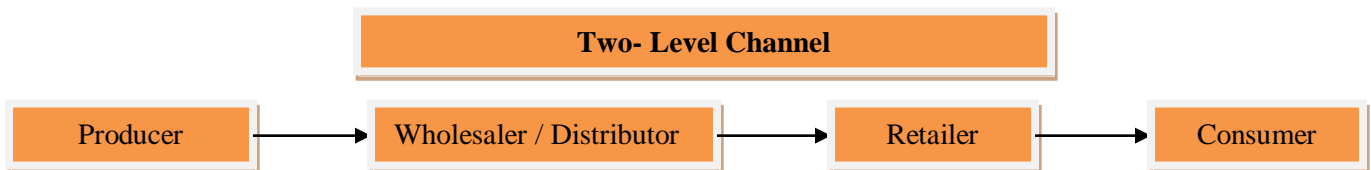


ii) Indirect Marketing Channels: In this channel the manufacturer doesn't sell the goods directly to the consumer. He sells goods to the middlemen, the middle men sells goods to consumers. Various types of indirect marketing channels are in the distribution network they are as follows:

a) One- Level Channel: As can be seen from figure in this type of channel there is only one intermediary between producer and consumer. This intermediary may be a retailer or a wholesaler/distributor. This type of channel is used for specialty products like washing machines. Refrigerators, televisions typewriters, and electric fans etc.



b) Two Level Channel: This type of channel has two intermediaries, namely, wholesaler/distributor and retailer between producer and consumer. Under this method, the producer sells the goods to the wholesaler, who in turn, sells to the retailers. The retailers in turn sell the goods to the ultimate consumers. This channel is used for consumer durable products.



c) Three-Level Channel: As shown in the figure this type of channel has three intermediaries namely distributor, wholesaler and retailer. In this method, the producer sells his goods to the distributors who sell them to the wholesalers who in turn sell them to the retailers and the retailers sell them to the consumers. This pattern is used for convenience products.



d) Four –Level Channel: This type of channel has four intermediaries, namely agent, distributor, wholesaler and retailer. This type of channel is used for consumer durable products. This type of channel is very popular in agricultural marketing and it is the longest route of distribution.

