Path Goal Theory proposes two classes of situational variables—personal characteristics of group members and environmental conditions. An effective leader is one who understands the characteristics of subordinates and environmental situation and who matches his behavior accordingly. The theory subscribes the notion that a leader can enhance his behavioral patterns as demanded by the needs of the situation. The behavior of a leader is dependent on the nature of situation and the characteristics of people.

Path Goal Theory is more elaborate than Fiedler's contingency theory because it takes into account both the personality characteristics of subordinates as well as situational variables. It not only suggests what type of leader may be effective in a given situation but also explains why the leader is effective.

SUMMARY

Concept, Characteristics and Functions of Leadership

Concept: Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is a psychological process of influencing subordinates and providing guidance to them. Leader is a person in a group who is capable of influencing the group to work willingly. Management activities such as planning, organizing and decision making becomes useless until and unless the leader is able to influence group members. A successful manager must have leadership qualities to influence the behavior of his subordinates. He has to lead his subordinates in such a manner that organizational and individual objectives can be achieved.

Characteristic: The common features of leadership are process of interpersonal influence, leaders and followers, common goals, continuous exercise, leadership is situational, rests on power, blend of inspirations, and motivation and communication

Functions: Leadership is the art of influencing the behavior and performance of others to achieve common goals. The major role that a manager plays in the organization are coordinate the organizational activities, represent the organization, integrate objectives, direct and motivate, organize activities, encourage team work, communication, take initiation, and control and supervision.

Leadership verses Management

Management is the process of getting things done through other to meet organizational objectives. Leadership is the art or skill of influencing on the behaviour of others in accordance of requirement. Leadership is an important component of management. It is applicable to the managers. All managers are leaders but all leaders may not be good a manager. Therefore, the manager must have complete vision of how to operate resources and achieve organizational objectives.

Traits/Qualities of Good Leadership

Broadly, leadership qualities may be classified as personal qualities and managerial qualities. The personal qualities of a leader involve physical fitness, self-confidence, intelligence, vision and foresight, sense of responsibility, human character, optimistic outlook, and flexible attitude etc. The managerial qualities of a leader are technical knowledge, a moderate state of mind, organizing ability, motivation and communication skill, human relation expert, wider perspective, ability of judgment, and knowledge of psychology.

Styles of Leadership

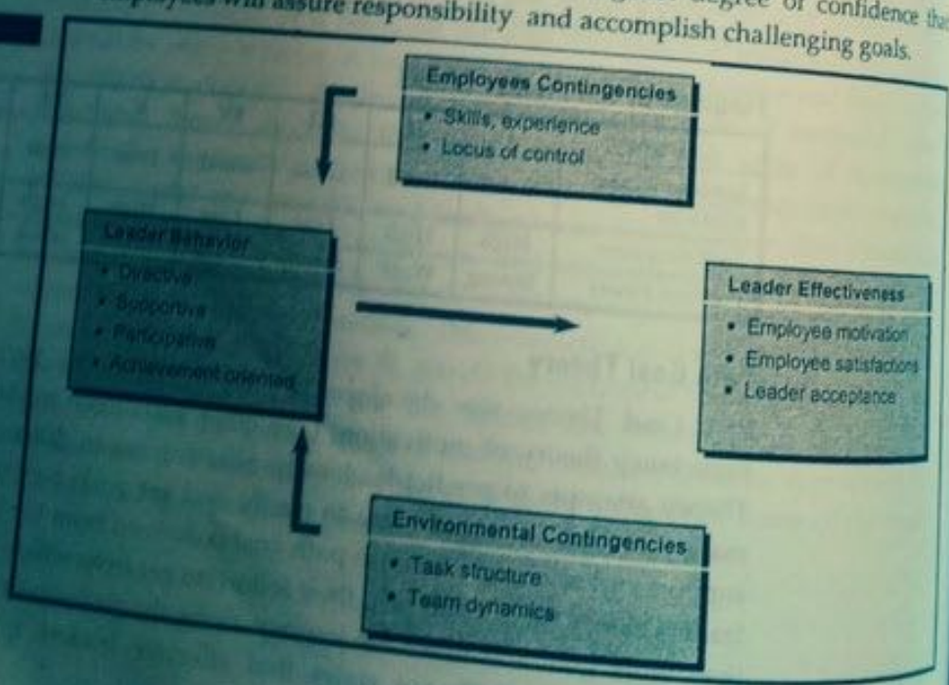
The widely accepted leadership styles are autocratic leadership and democratic leadership. Besides, other styles of leadership may be laissez-fair or free rein, and paternalistic styles. In ***autocratic leadership***, a leader believes in centralized power and expects all decisions from him without consultation with subordinates. In ***democratic leadership***, the leader believes in decentralization of power and invites subordinates in the decision making process. In ***free rein leadership***, the leader grants authority and responsibility to a group. The role of the leader

satisfactions and performance by making their need satisfaction contingent on effective job performance.

The leader has to facilitate overall learning by helping followers better understand how their actions are linked to organizational rewards. Employees make optimum contribution to the organizational goals where they perceive that their personal satisfaction is dependent on their effective performance. He should provide guidance and support to remove difficulties in achieving the goals. Path Goal Theory identifies four types of leader behavior to motivate and satisfy employees.

1. **Directive Behavior:** The leader clarifies performance goals, the means to reach those goals and the standard against which performance will be judged. It is the same as task-oriented and initiating structure behavior. The leader focuses on planning, organizing and coordinating the activities of subordinates. The leader tells subordinates what is expected of them and provide specific guidance, schedules, rules, regulations and standards.
2. **Supportive Behavior:** These behaviors provide psychological support for subordinates. The leader is friendly and approachable, makes the work more pleasant, treat employees equally and shows concern for the status, needs and well being of employees. The style is similar to the consideration in Ohio State Studies.
3. **Participative Behavior:** Participative leaders actively consult with employees, ask for their suggestions and take these ideas into serious consideration before making a decision.
4. **Achievement Oriented Behavior:** The leader sets challenging goals, expects employees to perform at the highest level, continuously seeks improvement in employee performance and shows a highest degree of confidence that employees will assure responsibility and accomplish challenging goals.

FIGURE 8.10
PATH GOAL THEORY



Fiedler Model

Fred E. Fiedler developed the first contingency model in 1967. Fiedler and his associates made an extensive research for more than thirty years and developed a theory called Fiedler's Contingency Theory. He proposed that effective group performance depends on the proper match between the leader's style of interacting with his followers and the degree to which the situation allowed the leader to control and influence. He distinguished two leadership personalities which are task oriented leaders and human relations oriented leaders.

Fiedler's model suggests that the best leadership style depends on the level of situational control; that is, the degree of power and influence that the leaders possess in a particular situation. The situational control is affected by three factors in the following order of importance: leader member relations, task structure and position power.

1. **Leader member relations:** Leader member relation is the degree to which employees trust and respect the leader and are willing to follow his guidance. A leader can be more effective if he is trusted and liked by followers and if they are willing to accept his influence.
2. **Task structure:** Task structure refers to the extent of clarity standardization or ambiguity in the work activities assigned to the group. If the task is clear and routine, group members can be easily held responsible for performance. Low task structure describes an ambiguous situation with changing circumstances and unpredictable events.
3. **Position power:** Position power is the extent to which a leader possesses legitimate, rewarding and coercive power over subordinates. A situation with high position power lets the leader hire people and directly reward or punish behavior. A leader with less power cannot take such actions.

Findings of the Fiedler Model

Category	I	II	III	IV	V	VI	VII	VIII
Leader member relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task structure	High	High	Low	Low	High	High	Low	Low
Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak

Path Goal Theory

Path Goal Theory was developed by Robert house in 1971. It is based on expectancy theory of motivation. Like other situational models, the Path Goal Theory attempts to predict leadership effectiveness in different situations. The main functions of a leader are to clarify and set goals by providing guidance, support and rewards. The term path goal is derived from the belief that effective leaders clarify the path to help their followers get from where they are to achieve their work goal and make the journey along the path easier by reducing road-blacks. Path Goal Theory states that effective leaders influence employees'

2. **Country club leadership:** Under this style the leader is primarily concerned about the people and has minimum concern for production. He tries to maintain friendly relations with subordinates to motivate people to work with enthusiasm.

3. **Autocratic task management:** The leader is mainly concerned with production and has little concern for people. He focuses on task by planning and controlling the production environment. People's needs and satisfaction are secondary matters.

4. **Middle of the road leadership:** This is a safe style where there is moderate concern for production and people. The manager attempts to balance and trade off concern for work in exchange for a satisfactory level of morale— a compromiser.

5. **Team leadership:** This is the most effective combination. This is practiced by those leaders who achieve high production through effective use of participation and involvement of people. The leader creates highly encouraging organizational climate of commitment, cooperation and trust. The leader has maximum concern for both production and people.

The managerial grid is used to assess leadership styles of men and women prior to training. This style assumes that people can be trained to become 9, 9 leaders. It is a technique of organizational development. In reality the extreme positions shown in the grid are rarely found.

Situational Approach to Leadership

Situational approach assumes that the effectiveness of leadership depends on the interaction of the leader's personal characteristics, the leader's behavior and factors in the leadership situation

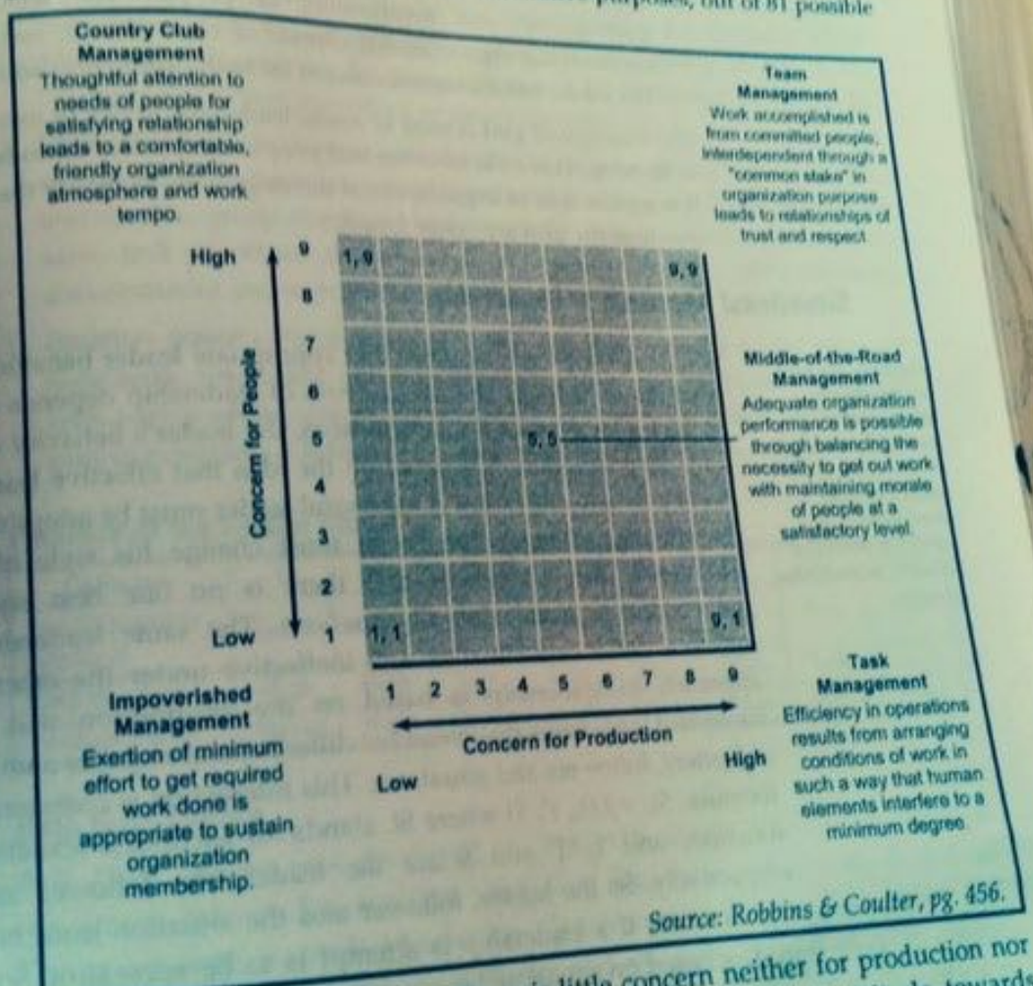
Situational approach assumes that appropriate leader behavior varies from one situation to another. The effectiveness of leadership depends on the interaction of the leader's personal characteristics, the leader's behavior and factors in the leadership situation. It is based on the idea that effective leadership cannot be defined by any one factor. A successful leader must be adoptive and flexible. As the situation changes, the leader must change his style of leadership. The situational theory contends that there is no one best style of leadership universally applicable for all situations. The same leadership style may be effective under one situation and ineffective under the other. The situational approach to leadership is based on the assumption that all instances of successful leadership are somewhat different and requires a unique combination of leaders, followers and situations. This interaction is commonly expressed in a formula: $SL = f(L, F, S)$ where SL stands for successful leadership, F stands for function, and L, F and S are the leader, the follower and the situation respectively. So the leader, follower and the situation must be appropriate for one another, if a leadership is attempt is to be successful. Some of the major studies based on situational perspective are described below:

attention to subordinates' work, explained work procedures and regarded group members as focal point.

Michigan researchers strongly favored employee-oriented leadership behavior. Employee-oriented leaders were associated with high group productivity and higher job satisfaction. Production oriented leaders were associated with low group productivity and lower job satisfaction.

The Managerial Grid

Industrial psychologists Robert R. Blake and Jane S. Mouton developed the managerial grid to explain leaders' behavior. They popularised the Ohio State Studies by restating manager-leader two major concerns as being for people and for production. According to this theory, leaders are most effective when they achieve a high and balanced concern for both people and task. Blake and Mouton argued that a leader's managerial style is a point on the grid; they have identified five combinations of styles for illustrative purposes, out of 81 possible combinations.



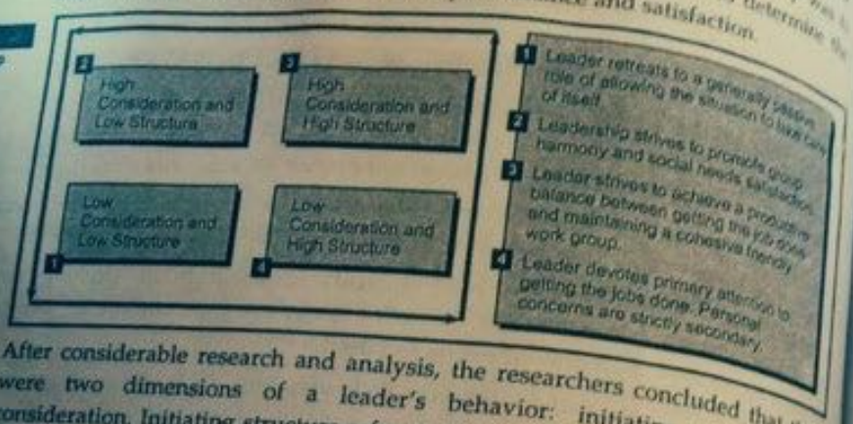
Source: Robbins & Coulter, pg. 456.

1. **Impoverished leadership:** There is little concern neither for production nor for people. This is the worst style of leadership. Their attitude towards getting things done and maintaining relation with people are casual. Exertion of minimum effort is required to get work done and sustain organization members.

The Ohio State Studies

A group of researchers at Ohio State University conducted an extensive study of leadership behavior and effectiveness. The basic purpose of this study was to identify the independent dimensions of leader behavior and to determine the effect of these dimensions on the work performance and satisfaction.

FIGURE 8.8
OHIO STATE LEADERSHIP QUADRANTE



After considerable research and analysis, the researchers concluded that there were two dimensions of a leader's behavior: initiating structure and consideration. Initiating structure refers to the extent to which a leader is likely to set goals, define and structure his or her roles, define and organize the task which his followers have to do, specifies work relationship and instructions and regulates the performance of his group members. Leaders scoring high initiating structure could achieve high productivity or performance.

Consideration is described as the extent to which the leader has supportive work relationship characterized by warmth and mutual trust, good relations and a respect for feelings, ideas and suggestions of group members. There is a strong concern for followers' comfort, well-being, status and satisfaction. The leader is friendly, approachable and treats subordinates fairly.

The two leadership orientations discussed above are independent of each other. That is, a leader may be high in both, high in one while low on the other or low on both. However, the studies concluded that the combination of high consideration and high initiating structure in leader behaviour were likely to result in high productivity and satisfaction at the same time.

University of Michigan Studies

Researchers at the University of Michigan, lead by Rensis Likert began studying leadership in the late 1940s. The purpose of this study was to identify the behavioral characteristics of leaders that were related to performance effectiveness. After studying a large number of supervisors in several factories, the Michigan group also came up with two dimensions of leadership behavior-employee centered and production centered. Managers using employee-centred leader behavior allowed sufficient freedom and provided necessary assistance to subordinates. They emphasised on interpersonal relations, and took a personal interest in the hands of their employees. Their primary concern was the welfare of subordinates. On the other hand, a production centered leader paid close

f. Moderately important
g. Drive and initiative
h. Need for a lot of money
i. Need for job security
j. Personal maturity

Six Traits that Differentiate Leaders from Non-Leaders

a. **Drive:** Leaders exhibit a high level of effort. They have a relatively high desire for achievement. They are ambitious, they have a lot of energy, they are tirelessly persistent in their activities and they show initiatives.

b. **Desire to lead:** Leaders have a strong desire to influence and lead others. They demonstrate the willingness to take responsibility.

c. **Honesty and indignity:** Leaders build trusting relationship between themselves and followers by being truthful or by showing high consistency between words and deed.

d. **Self-confidence:** Followers look to leaders for an absence of self doubt. Leaders, therefore, need to show self confidence in order to convince followers of the rightness of goals and decisions.

e. **Intelligence:** Leaders need to be intelligent enough to gather, synthesize, and interpret large amount of information and to be able to create vision, solve problems and make correct decisions.

f. **Job relevant knowledge:** Effective leaders have a high degree of knowledge about the company, industry and technical matters. In-depth knowledge allows leaders to make well informed decisions and to understand the implications of those decisions.

Source: Decenzo and Robbins, Management, 2002.

Behavioral Approach to Leadership

Behavioral theory attempts to describe what effective leaders do

The failure of trait theory to identify the clear-cut set of traits has motivated researchers to focus attention on leadership behavior. Behavioral theory attempts to describe what an effective leader should perform in the day-to-day management. And effective leader is one who performs those acts, and who supports groups to achieve objectives. The overall goal of the behavioral approach is to identify and measure relevant leadership actions and behavior that leads to enhance subordinates productivity and morale. Hence, the attention has shifted from who the leaders are to what the effective leaders do, how they delegate tasks, how they communicate and try to motivate employees.

Several attempts have been made to identify the dimensions of leader behavior during, 1955 and the 1960s. The three leadership behavior studies that attempt to identify the leadership behavior are explained below:

In fact, each leadership style is effective when it matches the needs of the situation, the attitude and belief of work group and leader. Practically, leaders have to involve themselves actively in the work of a group.

APPROACHES TO LEADERSHIP

Leadership has been one of the most studied topics in management. Several studies on leadership have over the years helped to develop various approaches to leadership. Broadly, there are three approaches to leadership.

Trait Approach to Leadership

Trait theory of leadership emphasizes that there are certain identifiable qualities that good leaders must possess

The trait approach to leadership is based on early research which assumes that a good leader is born and not made. It is a modification of the great man theory which assumes that leadership qualities can be acquired. The trait theory of leadership emphasizes that there are certain identifiable qualities that good leaders must possess. Trait approach considers leadership as a set of qualities possessed by an individual. Leadership qualities may be in-born or they may be acquired through higher education, training and practice. Trait theory is useful in developing training programmes for managers at various levels.

Some researchers on trait theory emphasize on intelligence, initiative, self confidence, and individuality being superior ability for leadership. Others stress intelligence, scholarship, dependability, responsibility, social participation and socio-economic status as the requisites of leadership. However, the common traits necessary for successful leadership are intelligence, initiative, imagination, optimism, enthusiasm, courage, creativity, originality, communicative ability, self confidence, human understanding and a sense of fair play.

Ralph, Stogdill, a prominent leadership scholar, suggests that effective leaders can be seen as having a strong drive for responsibility, task orientation, originality, problem solving skill, drive to exercise initiative in social situations, self confidence and sense of personal identity, and ability to influence other persons.

Edwin Ghiselli made an extensive research on leadership effectiveness. He studied over 300 managers from 90 different companies and suggested personality traits classifying very important to non-important to become a successful leader.

A. Very important

a. Decisiveness

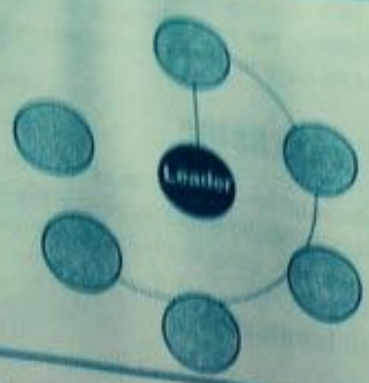
b. Intellectual capacity

c. Job achievement orientation

d. Self actualization feelings

e. Self confidence

f. Management ability- team builder



The Three Styles of Leadership

	Autocratic	Democratic	Laissez-Faire
Nature	Leader retains all authority and responsibility	Leader delegates a great deal of authority while retaining ultimate responsibility.	Leader grants authority and responsibility to group.
	Leader assigns people to clarify defined tasks	Work is divided and assigned on the basis of participatory decision making.	Group members are told to work things out themselves and do the best they can.
	Primarily a downward flow of communication.	Active two-way flow of upward and downward communication.	Primarily horizontal communication among peers.
Primary Strength	Stress prompt, orderly and predictable performance	Enhances personal commitment through participation.	Permits self starters to do things as they want without leader interference.
Primary Weakness	Approach tends to shift individuals' initiative.	Democratic process is time consuming.	Group may drift aimlessly in the absence of direction from leader.

Source: Robert Kreitner AITBS, 2000 page 454

D. Paternalistic Style

In paternalistic leadership, a leader assumes a fatherly role. He works to guide, protect and keep followers, who work together as a member of a family.

Under this style, the leader assumes paternal or fatherly role. He works to guide, protect and keep followers, who work together as a member of a family happy. He makes provision for good working conditions and other necessary services. It is hoped that under such leadership, workers will work hard out of gratitude.

rewards and incentives. To some extent, subordinates are independent in doing their work. The leader only provides guidance and suggestions at the time of requirement. The feeling of team work is developed among all the employees.

Difference between Autocratic and Democratic Leadership Styles

The following are some points of differences between autocratic and democratic leaderships:

Bases of Differences	Autocratic Leadership	Democratic Leadership
1. Meaning	It is known as authoritarian leadership where power is centralized.	It is known as participative leadership where power is decentralized.
2. Decision making process	In this style, decision making process is concentrated on the leader.	In this style, leader invites subordinates to participate in decision making process.
3. Communication	There is one-way communication from top level to subordinate levels.	There is two-way communication, from upper level to subordinate level and vice versa.
4. Motivation	This style gives importance to negative motivation.	This style gives importance to positive motivation.
5. Suitability	This style is suitable where subordinates are uneducated and unskilled.	This style is suitable where subordinates are trained, experienced and intelligent.
6. Time of decision	In this leadership, a single leader takes a decision, so there is profitability of prompt decision.	In this leadership, leader takes decision by consulting with subordinates; so there is probability of slow decision.
7. Consideration of potentiality	Here, leader behaves as a dictator to subordinates; so there is no possibility creativity and potentiality of employees in of using productivity.	Here, leader prefers participative management, there is more possibility of using creativity and potentiality of employees in productivity.

C. Laissez-Faire or Free Rein Leadership

In free rein leadership, a leader grants authority and responsibility to a group. The role of a leader is to provide advice and direction as requested by the subordinates

Under this style, leaders avoid power and responsibility. They grant authority and responsibility to groups. The role of the leader is to provide advice and direction as requested by the subordinates. Group members perform everything themselves. Leader behaves primarily as a group and plays the role of a member only. The concept of management by exception promotes this type of style, where subordinates themselves plan, control, evaluate and decide and the manager interferes exceptionally. This style is suitable for highly trained and professional staff. There is primarily horizontal communication among the peers.

In paternalistic leadership, a leader assumes a fatherly role. He works to guide, protect and keep followers, who work together as a member of a family

problem of the organization himself. He also defines what to do and how to do the work to subordinates. He determines rewards to obedient and efficient subordinates and holds out threats of punishment to inefficient or indiscipline subordinates.

In autocratic leadership, there is the system of one way communication. The information of instruction and guidance only flows from top level to the subordinate level. Autocratic leadership can also be sub-classified into two group strict autocracy and benevolent autocracy.

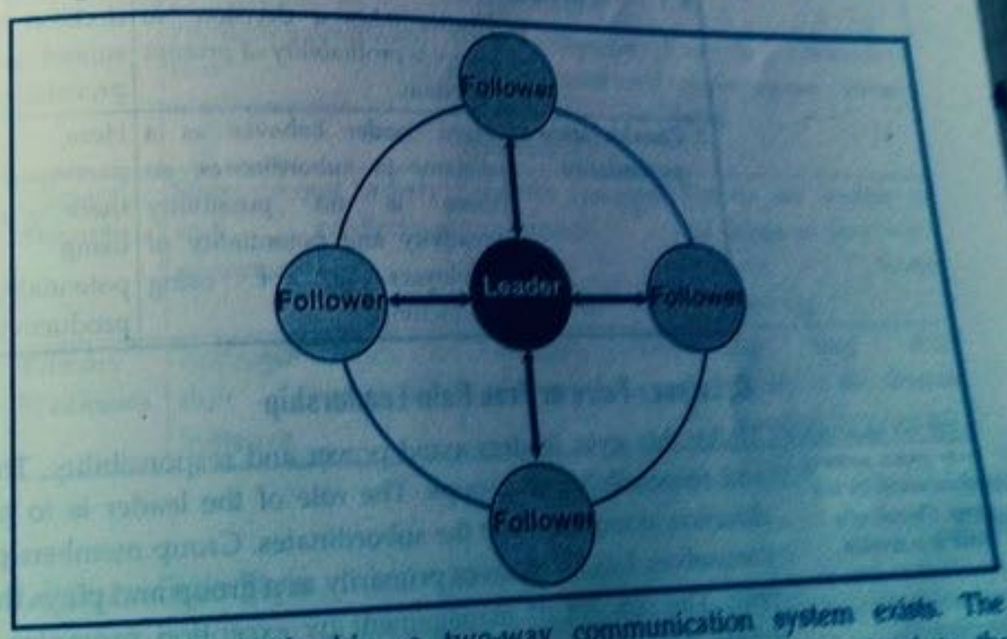
In strict autocracy, a leader always uses negative motivation. He motivates the subordinates by threatening them with penalty, punishment, demotion etc. A leader is all in all in each and every activity of the organization. In benevolent autocracy, a leader uses positive motivation. He encourages the subordinates by giving incentives like promotion, more remuneration etc. In some situation, he also takes suggestions and guidance from subordinates.

B. Democratic Leadership

Democratic leadership, leader believes in decentralization of power and invites subordinates in decision making process

This is liberal type of leadership. This is also known as participative leadership. Under this type of leadership, a leader believes in decentralization of power and invites subordinates in the decision making process. This leadership style is suitable and practicable where subordinates are trained, experienced and skilled. The upper level of management is responsible for the preparation of plans and policies whereas subordinates are responsible for their implementation. Here, upper level management takes suggestions, guidance and information from subordinates for preparation of plans and policies. It emphasizes participative management.

Figure 5.6 Democratic Leadership



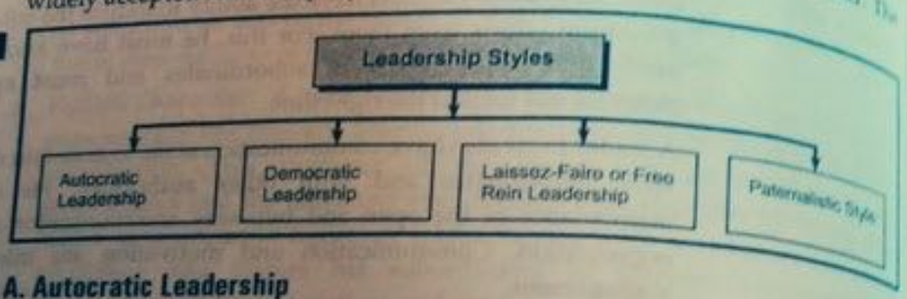
In democratic leadership, a two-way communication system exists. The information of instruction and guidance flows from the top level to the subordinates whereas the information of achievement, problems and suggestions flows from the subordinate level to the upper level. Here, a leader always uses positive motivation and encourages subordinates by providing

Empathy implies the ability to place oneself in the position of subordinates. A leader must place himself in the position of subordinates and decide matters by considering their viewpoint. He must have the ability to mix up with subordinates and treat himself as a part of them. So, an efficient leader must have knowledge about psychology.

STYLES OF LEADERSHIP

Leadership is the process of influencing the subordinates so that they can perform their works willingly and enthusiastically and achieve common goals. The philosophy of leadership might either be superior oriented or subordinate oriented. Generally, it is associated with power or authority of the leader. The widely accepted leadership styles are as follows:

FIGURE 8.4
LEADERSHIP STYLE

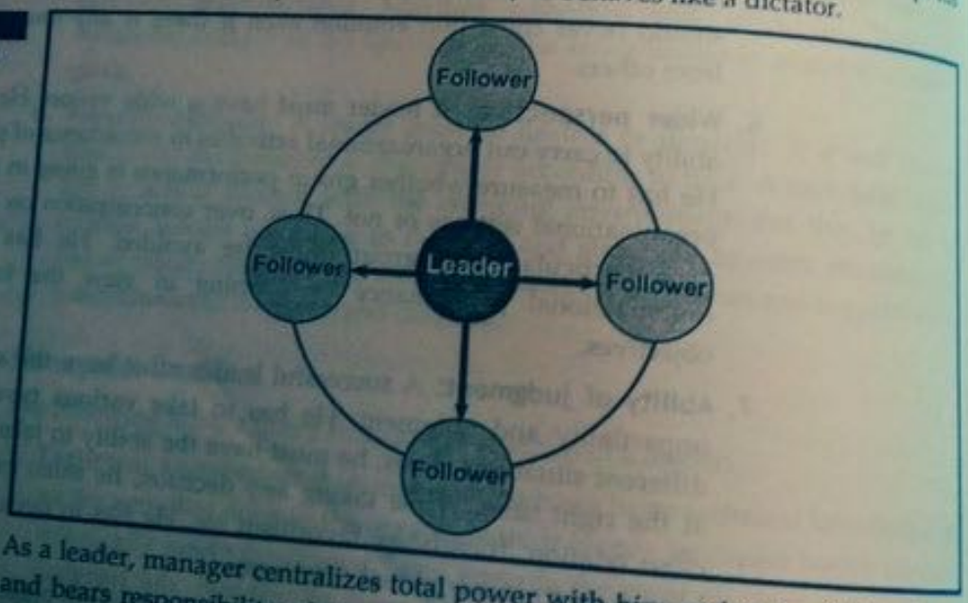


A. Autocratic Leadership

In autocratic leadership, a leader believes in centralized power and expects all decisions from him without consultation with subordinates

This is also known as authoritarian and dictatorial leadership. In this leadership, the leader has the sole authority to take a decision. In other words, a leader believes in centralized power and expects all decisions from him without consultation with subordinates. He always expects subordinates to accept his decisions without any comment. In short, he behaves like a dictator.

FIGURE 8.5
AUTOCRATIC LEADERSHIP



As a leader, manager centralizes total power with him and enjoys full authority and bears responsibility of the organization. He determines plans and policies independently and implements them according to his knowledge and logic. He never takes any suggestion and guidance from his subordinates. He solves every

2. **A moderate state of mind:** This quality emphasizes on maintaining patience while taking any decision. A leader is a decision-maker and, he must have a moderate state of mind. It is essential to come at a rational decision which should be free from bias and emotions. A leader must be patient while taking any decision. He must have the ability to identify the impact of his decisions.

3. **Organizing ability:** A leader must have an organizing ability. Besides, he should have the ability to arrange physical facilities and modern technology on the basis of requirement. He has to establish well defined productive relations among all the subordinates. He has to take care to maintain coordination among the employees. This is essential to maximize output within minimum cost and efforts.

4. **Motivation & communication skill:** A successful leader must possess motivating skills. He must have the ability to induce the subordinates to gain maximum efforts from them. For this, he must have knowledge about the needs and requirements of subordinates and must apply appropriate motivational tools at the right time.

   A leader must also have communication skills to maintain up-to-date relation with subordinates and with other authorities. He must ensure the maintenance of the open and two-way communication system within the organization. Communication and motivation are interrelated terms in management.

5. **Human relation expert:** A successful leader is one who is an expert in human relation. He has to deal with various parties of the organization like customers, visitors, subordinates, suppliers, shareholders etc. Thus, he must develop a good human relation ability through all possible means known to him. He has to deal in a polite and friendly way to his subordinates. He should never come into emotion even if there is any unexpected behavior from others.

6. **Wider perspective:** A leader must have a wide vision. He must have the ability to carry out organizational activities in accordance of plan and system. He has to measure whether group performance is going in accordance with organizational settings or not. Thus, over concentration on the performance of a particular work-group must be avoided. He has to manage the organizational performance by keeping in view the broad outlook of objectives.

7. **Ability of judgment:** A successful leader must have the ability to maintain impartiality and judgment. He has to take various types of decisions in different situations. Thus, he must have the ability to take the right decision at the right time. While taking any decision, he must avoid the feeling of close relation, friendship, favoritism etc. He has to decide matters only by considering organizational objectives.

8. **Knowledge of psychology:** As a head figure of the organization, a manager has to have psychological knowledge. He must possess traits of empathy, sociability, knowledge of the self and knowledge of subordinates.

confident manner. He should have the ability to study, analyze and take decisions confidently. He should never be confused when any new or complex problems arise in the organization. He has to solve all kinds of problems through logical analysis and study.

4. **Vision and Foresight**: This quality of the leader is a must to get to the destination i.e. to achieve goals. A leader must have vision and foresight of how to begin the work and how to achieve organisational objectives. For this, he has to prepare plans, policies and programmes in a systematic manner. He has to lead the subordinates by providing proper guidance and instructions so that the goals may be achieved in the future.

5. **Sense of Responsibility:** A leader must be a responsible person. He must feel morally responsible for each and every activity, which is done within his supervision. Generally, a leader performs all kinds of works with the support of subordinates and in the course of works, mistakes may happen. It is the moral responsibility of the leader to own up such mistakes.

6. **Human Character:** A leader must be a man of human character. He should possess traits like honesty, loyalty, self-discipline and devotion towards the organization. This character of the leader sets an example among subordinates and the latter can also develop their character by taking their leader as a symbolic figure. A leader having such a character can easily encourage and inspire his subordinates to carryout performance in accordance with his instructions and guidance.

7. **Optimistic Outlook:** A leader must always be an optimist. He must have the quality to take initiation with confidence in difficult situations. He must have the ability to face the worst conditions with courage and will power. An optimistic leader can lead the subordinates in confident manner and can carryout organizational activities smoothly and efficiently. Thus, an optimistic outlook of the leader leads the subordinates in attaining common goals.

8. **Flexible Attitude:** A leader must be flexible or dynamic. It is well known that social environment is changeable according to time. A successful leader has to adjust himself with the changing environment. For this, he has to modify himself according to the time and situation. In some situations, he has to modify his decisions and has to accept information and suggestions of subordinates to take a correct decision.

Managerial Qualities

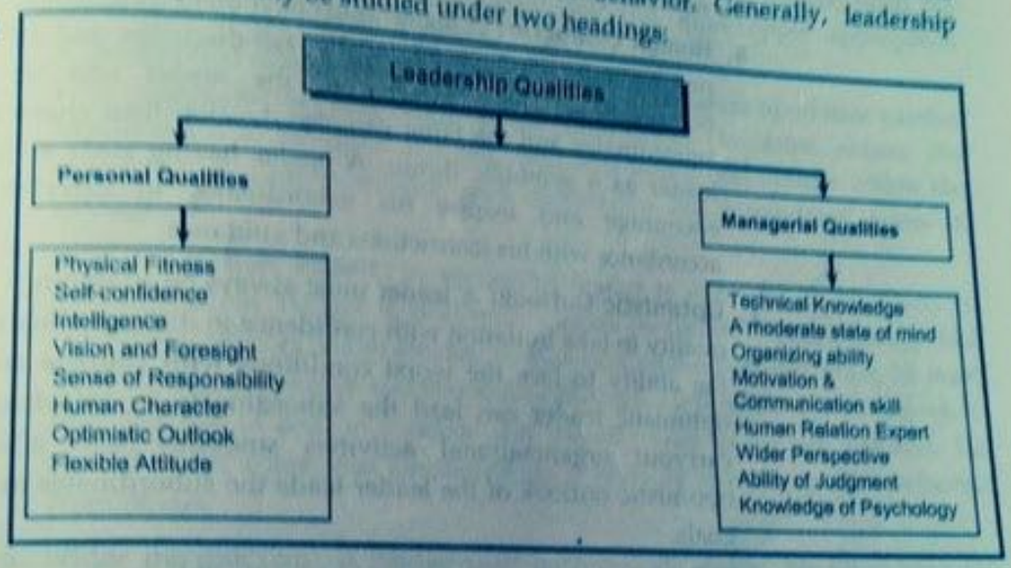
The following are the major managerial qualities of a leader:

1. **Technical knowledge:** A manager must have basic technical knowledge on all the activities done in the organization. It is only an expert leader who can technically guide the subordinates towards the most efficient completion of assigned job. Besides, he must have the ability to convince subordinates about his knowledge and impart suitable guidance to them. Therefore, technical knowledge is necessary to take the right decision in the right time.

Encourage	It encourages on empowerment of followers to improve their performance.	It encourages on controlling the subordinates to meet standard of performance.
Obstacles	Leaders always want to remove obstacles to go forward.	Managers always want to adapt with obstacles.
Component	Leadership is an important component of management.	Management is a vague concept than leadership.

TRAITS/QUALITIES OF GOOD LEADERSHIP

Leadership is the process of influencing and inspiring the behavior of others. It is the ability to motivate others to accomplish pre-determined objectives. In fact, organizational performance totally depends upon the ability of the manager. There must be leadership qualities in the manager to produce tremendous impact on subordinates' performance and behavior. Generally, leadership qualities may broadly be studied under two headings:



Personal Qualities

The following are the major personal qualities of a leader:

1. **Physical Fitness:** This quality focuses on the physical outlook of the leader. A leader must be a physically sound person. He should be impressive in outlook. Only a healthy person can proceed to his job with full energy and effort. Generally, physical fitness is an ordinary and natural requirement of a leader.

2. **Self-confidence:** A leader must have confidence for any kind of work he is doing. He should have knowledge about the outcomes of decision and activities. He has to guide and lead the subordinates along with most enthusiastic lines of action. Thus, he has to take decisions on his own showing the subordinates that he has the capacity to do things better.

3. **Intelligence:** It is the mental quality of the leader. A leader must have the ability to deal with complex and difficult types of problems and situation in a

after the attainment of organizational objectives. This is a part of managerial functions of the leader to develop such an environment in the organization. Thus, when employees perform their work by using their best effort and efficiency, it will become easy to gain organizational objectives.

5. **Direct and motivate staff:** The manager is responsible for implementing plans. After designing the organizational structure, a manager has to divide work among the staff and give clear instructions on how to discharge the given responsibilities. Besides, a manager has to inspire and induce groups and individuals to perform the job efficiently.

6. **Organize activities:** As a head of the organization, a manager has to organize many activities of the enterprise. These activities involve production, distribution etc. which are essential to achieve planned objectives. At the initial stage, it is essential to identify various types of activities to be performed in the organization. And again on the basis of their nature, they should be divided into groups and delegated to responsible employees.

7. **Encourage teamwork:** The feeling of teamwork among all the authorities of the organization is a must to gain common objectives. It is the responsibility of leaders to encourage all the subordinates to work as a group. For this, he has to maintain coordination among all the departments and individuals working in the organization.

8. **Communication:** Communication is an important tool for the flow of information in and outside the organization. The manager provides instructions, guidance and suggestions to the subordinates through appropriate means of communication. In a similar manner, he gets feedback of output and problems also through means of information. Thus, it is the responsibility of the manager to develop a proper communication system in the organization.

9. **Take initiation:** Change in organizational structure, procedures and process of work is a must to adjust with the changing environment of business. A successful leader always initiates changes in accordance with requirements. He should communicate the areas of changes by clearing the logical reasons of changes. He should overcome the resistance of change by showing positive impact of changes on organizational affairs.

10. **Control and supervision:** Controlling is one of the important functions of manager to measure actual achievement of work with that of planned works and take corrective action. For this, it is the responsibility of the manager to supervise the performance of subordinates according to time and situation. Corrective action must be taken if any defect in the activities is found.

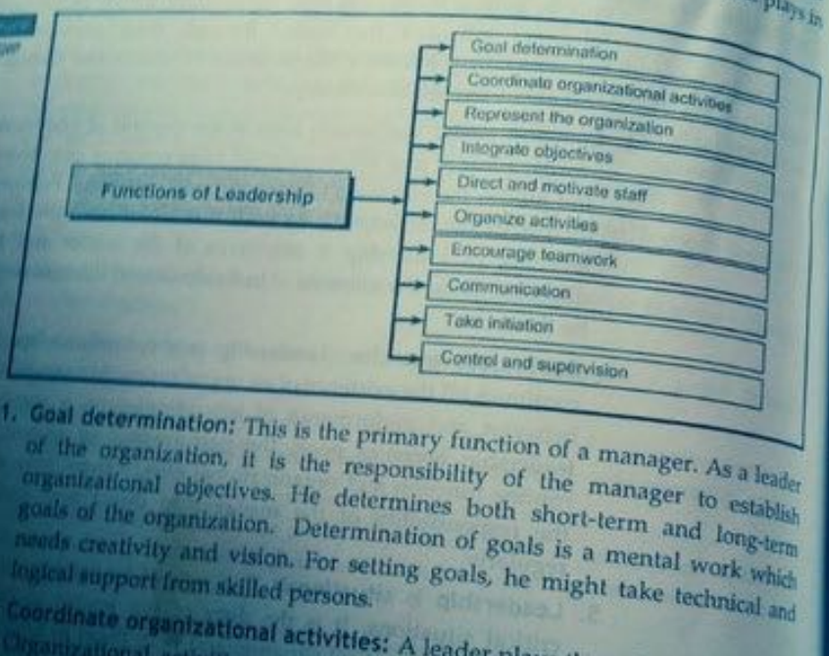
subordinates. For this, there must be free and complete flow of information between managers and subordinates. In the absence of any one element, a leadership mission cannot be successful.

FUNCTIONS OF LEADERSHIP

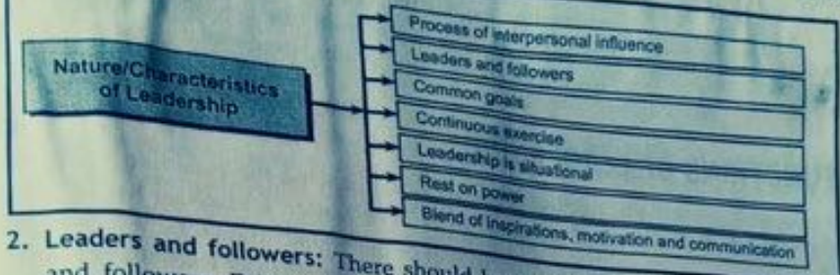
As a leader, a manager has to perform various functions especially of executive and creative nature

Leadership is the art of influencing the behavior and performance of others to achieve common goals. As a leader, a manager has to perform various types of functions. All activities of the organization totally concentrate on the functions of the manager. The following are the major roles that a managerial leader plays in the organization.

FIGURE 1.8
FUNCTIONS OF LEADERSHIP



1. **Goal determination:** This is the primary function of a manager. As a leader of the organization, it is the responsibility of the manager to establish organizational objectives. He determines both short-term and long-term goals of the organization. Determination of goals is a mental work which needs creativity and vision. For setting goals, he might take technical and logical support from skilled persons.
2. **Coordinate organizational activities:** A leader plays the role of coordinator. Organizational activities are divided into different groups on the basis of their nature. A separate department is created for each work and handed over to a responsible person. It is the responsibility of the manager to maintain coordination among all the departments and their activities. It is a must to gain determined goals.
3. **Represent the organization:** As a leader, a manager represents his group and also the organization. He makes agreement and contract with outside organizations and authorities on behalf of the organization. He also represents the organization while participation in meetings, conferences, seminars and other programs.
4. **Integrate objectives:** A manager plays an important role in integrating both individual and organizational objectives. The workers might see their best performance when they feel that their personal objectives will be fulfilled



2. **Leaders and followers:** There should be mutual relation between a leader and followers. Followers are supposed to follow their leaders' foot/steps only by getting inspiration from his conduct, ability and behavior. Similarly, followers influence the leader through their performance, effort and behavior. They influence the behavior of each other through mutual wish and not by the use of authority.

3. **Common goals:** Leadership aims at the pursuit of common goals, in other words, a leader and followers must have common objectives. Leader directs and guides the followers to gain planned objectives. Followers also perform their activities in accordance with directions from the leader. There is no meaning of leadership if objectives of the leader and the followers are different. Thus, the interests of individuals and those of organizations should be the same.

4. **Continuous exercise:** Leadership is a continuous managerial process. It continues till the existence of an organization. Managers have to influence the behavior and performance of subordinates on a regular basis. Whenever leadership becomes poor, the performance of people turns into a mere routine function and organizational effectiveness may decrease. Hence, it is the responsibility of the manager to direct and guide the subordinates regularly.

5. **Leadership is situational:** The role of leadership assumes significance in critical situations. It is the duty of the leader to inspire subordinates to overcome the critical situation and help them to lead to the destination in a successful way. A leader must be innovative and creative to handle difficult and unexpected situations.

6. **Rest on power:** Leadership rests on power rather than formal authority. Here, power focuses on the personal outstanding qualities of the leader through which he influences the followers. In the context of the manager, some formal authority is rested due to managerial designation. But, at this stage, there is little value of formal authority in comparison to power i.e. personal quality.

7. **Blend of inspiration, motivation and communication:** Leadership is a blend of inspiration, motivation and communication. It is the process of influencing the behavior and performance of followers by inspiring them. A leader has to apply appropriate motivational tools (incentives) to inspire

MEANING AND DEFINITIONS OF LEADERSHIP

■ CONCEPT REVIEW
Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the art of influencing and inspiring the behavior of others in accordance with requirement

Leadership is an important and necessary skill for achieving group performance. It is the art of influencing and inspiring the behavior of others in accordance with requirement. It is the personal quality of an individual who organizes the efforts of individuals and directs them to achieve common objectives.

In fact, leadership is a process of influencing the human behavior. It is the influence that is exercised by the leader on his group members to achieve a specified objective in a given situation. A person is said to be a leader when his group members are willing to accept his instructions, guidance and suggestions. Only a successful leader is able to influence his followers.

Leadership is applicable to the managers. A successful manager must have leadership qualities to influence the behavior of his subordinates. He has to lead his subordinates in such a manner that organizational and individual objectives can be achieved. Thus, the manager must have complete vision of how to operate resources and achieve organizational objectives.

Many scholars have given their views on the term leadership. Some of them are as follows:

George R. Terry– *"Leadership is the activity of influencing people to strive willingly for mutual objectives".*

Stephen P. Robbins– *"Leadership is the ability to influence a group toward achievement of goals."*

Koontz and Weihrich– *"Leadership is the art of or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals."*

Keith Davis– *"Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals."*

Leadership is the ability to influence the behavior and performance of an individual or group of individuals towards the achievement of common objectives

Thus, it can be concluded from the above definition that leadership is the ability to influence the behavior and performance of an individual or group of individuals towards the achievement of common objectives.

NATURE/CHARACTERISTICS OF LEADERSHIP

An analysis of the above definitions reveals the following characteristics of leadership:

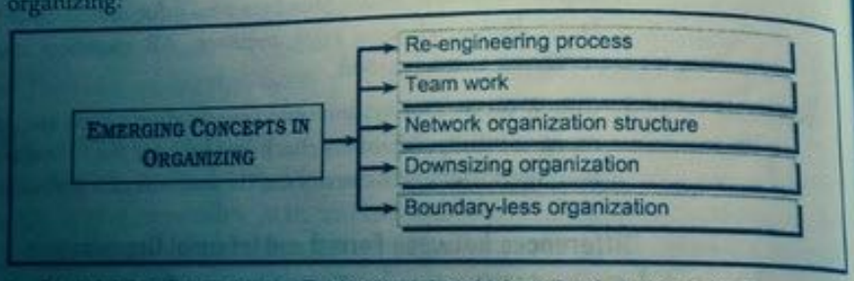
1. **Process of interpersonal influence:** Leadership is a process of interpersonal influence. A leader influences the behavior and activities of subordinates through power, inspiration, reward, motivation and other tools. A manager is said to be a leader when he is able to influence his subordinates in accordance with organizational requirements.

4. Stable	It is usually stable.	It is usually unstable and does not last so long.
5. Communication	Communication is made through proper channel.	There is no fixed and established channel for communication.
6. Chain of command	It follows the official chain of command and is generally unchanged.	It does not have any fixed chain of command. It is sentimentally based on member.
7. Disclosure	It reflects technological aspect.	It reflects human aspect.
8. Authority and responsibility	There is well defined authority and responsibility	Under this personal relationships are automatically developed when people works together.

EMERGING CONCEPTS IN ORGANIZING

The rapid change in technology, knowledge and globalization brings in new concepts in organizing. Managers need to consider these new concepts in the organization designing process. The following are the emerging concepts in organizing:

Figure 8.32
Emerging Concepts in Designing



Re-engineering is a radical design of all aspects of the organization

1. **Re-engineering process:** Re-engineering is a radical design of all aspects of an organization to achieve major benefits in cost, service or time. Re-engineering of an existing organization design, process or structure is essential when it fails to work in the competitive environment. It is designed to bring organizational effectiveness and to gain cost benefit. Today, many organizations are going through comprehensive change programs involving all aspects of organization design, technology and people. However, to make re-engineering successful, it requires a systematic and comprehensive assessment of the entire organization. For this, the top level management [illegible] to clear the reasons and goals of re-engineering and it is necessary to [illegible] from subordinates.

4. **To reduce monotony:** The greater degree of specialization routinizes the job and hence increases monotony among workers. The workers experience mental fatigue as they are unable to relate their jobs with final output. They resort informal interactions as an outlet over frustration from the job.
5. **To check on authority:** Informal group forces manager to plan and act more carefully. It serves as a tool to maintain balance on unlimited use of authority.

Advantages of Informal Organization

Informal organization represents relationships between individuals working in the organization. It is based on personal interest, personal attitudes, emotions, physical locations, age, similarity of work etc. The informal organization has the following benefits.

1. **Develops a sense of belonging:** Informal organization constantly put emphasis on individual personality of members. This gives sense of belonging and personal satisfaction among members.
2. **Less supervision:** Informal groups are self directed and self controlled. They develop the norms themselves and all members are bounded by those norms. They perform their jobs without the instructions of supervisors.
3. **Innovation and creativity:** Individuals experience freedom in informal organization. They can do jobs in their own ways. This helps to develop innovative and creative ideas in the organization.
4. **Rapid communication:** Members pass information quickly informally. There is no formal channel relay message. All members are the transfers and receivers of information.
5. **Check on authority:** Informal organization forces managers to plan and act more carefully. Members check and balance the ultimate authority vested on manager. Managers can not use the authority for individual benefits.

Differences between Formal and Informal Organization

Basis of Difference	Formal organization	Informal organization
1. Objectives	It is created for the achievement of predetermined objectives.	It has no predetermined objectives.
2. Hierarchy	It has an official hierarchy of relations between various levels of management.	It has no specific hierarchy. its structure is completely based on human emotions and sentiments
3. Planning	Under this formal relationships are well planned.	Under this informal relations are unplanned and they are created automatically.

formed in large formal organization. These groups may be based on caste, ideology, language, religion, emotion, culture or tradition.

According to **Chester I Bernard**, *"Informal organization is joint personal activity without conscious common purpose through contributing to joint result"*.

According **Keith Davis**, *"Informal organization is the network of personal and social relationships, not established or required by formal organization"*.

Informal organization is not predetermined but it develops automatically among the limited group of people through friendship. This informal organization plays important role in effectiveness of organization's performance. The powerfulness of this relation can be seen from the fact that if one member is expelled, sometimes all workers go on strike in support of that member of the group. The relation is so much stronger that it brings the sense of belonging and friendship. This belonging concept influences on productivity and job satisfaction of the members since members motivate each other and also share knowledge and work load.

Features of Informal Organization

The following are the major features of informal organization:

- It is created on the basis of friendship and some common interest.
- It reflects human and social relationship among people.
- It is based on common ideology, language, religion, culture or tradition.
- It has no prescribed position, duties, responsibilities and authorities.
- The membership of informal organization is voluntary.
- It has no written rules and regulations.
- The authority and responsibility are based on personal acceptance.
- Informal organization has its own leaders, goals and standard.

Objectives of Informal Organization

Informal organization is the natural grouping of people in work areas. Informal organization represents relationships between individuals working in the organization based on personal interest, personal attitudes, emotions, physical locations, age, similarity of work etc.

1. **To socialize with others:** Man is a social being. He wants to associate with others rather than working alone. Informal organization allows individuals to satisfy their social need on the job.
2. **To meet common interest:** Common interest brings informal relation among individuals working in an organization. The employees face similar work problems as they perform similar jobs.
3. **To develop a sense of belonging:** People want belonging and friendship in work areas. A shared experience among colleagues develops a sense of job satisfaction among employees. Informal interaction develops attachment among employees.

FORMAL ORGANIZATION

A formal organization is officially formed by the management to achieve defined goal. It is a structure of well defined jobs with a prescribed system of communication, coordination and delegation of authority. The structure is deliberately designed to enable people to work together for the achievement of common objectives. Under this structure there is well designed job for each individual. Besides, there is definite authority and responsibility for each individual to make effectiveness of their efforts. There is clear defined official relationship between superior and subordinate in the organization to achieve defined objectives.

According to **Scott**, *"A formal organization is a system of coordinated activities of a group working towards a common goal under authority and leadership".*

According to **Koontz and Weihrich**, *"Formal organization means the intentional structure of roles in a formally organized enterprise."*

Formal organization emphasizes to work under established rules and regulation of the enterprise. There is official line of communication among all the employees. There is the chain of official relation between superior and subordinate. Top level management plays a key role to maintain coordination and mutual relation among all the formal structures to achieve common goal. However, the achievement of organizational objectives depends upon ability of subordinates and management.

Features of Formal Organization

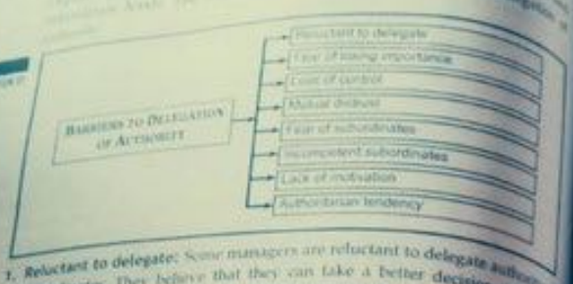
The following are the major characteristics of formal organization:

- It is officially formed by the management to carry-out a specific job.
- It is based on division of work on the basis of specialization.
- The procedural rules and regulation are written.
- It clearly defines authority and responsibility of every individual.
- It specifies the official line of communication.
- It focuses on job to be performed and not on the individual doing the work.
- It has official leadership from top to subordinate level.

INFORMAL ORGANIZATION

An informal organization is formed within the framework of formal organization due to social interactions and interpersonal relation.

Informal organization is also known as unofficial relation which is not formed by the management. It is developed within the framework of formal organization due to social interactions and interpersonal relation. Man is a social animal and wants to maintain social relationship with many social elements. When a large number of people work together in formal organization, they come into interaction with each other and develop personal and social relationship on the basis of their likes and interest. The development of such relation among formal members is informal organization. Generally, small informal groups are



1. **Reluctant to delegate:** Some managers are reluctant to delegate authority to subordinates. They believe that they can take a better decision than their subordinates. This belief is often found among those managers who have been recently promoted and those having a superiority complex. They have no proper plan to delegate authority. In such a situation, subordinates will have less work and lose the commitment to implement the manager's decisions.
2. **Fear of losing importance:** Managers, who feel comfortable with authority, fear to delegate authority. They feel that it will diminish their importance. Such managers delegate only that part of authority to subordinates which relates to their job responsibility. They retain their authority as a positional superior of an organization.
3. **Loss of control:** Some managers opine that they will lose control by delegating authority to their subordinates. They feel that if they delegate authority to their subordinates, they would not be sure to achieve assigned responsibilities from subordinates. Such fear is reasonable in case managers are incapable of getting the jobs done from others.
4. **Mutual distrust:** Managers are often reluctant to delegate authority to subordinates if there is an environment of distrust in the organization. A manager must have confidence in his own ability to help, guide and control his subordinates before delegating authority. If a manager does not have the ability to make a sound decision he does not believe in his subordinates. He does not want to take risk to get jobs done from others.
5. **Fear of subordinates:** Managers are reluctant to delegate authority if they fear that it will expose their shortcomings. They feel that their subordinates will perform better and may create problems in their own career. They have no self-confidence and do not want to face the competitive environment.
6. **Incompetent subordinates:** Some subordinates are often unwilling to accept delegated authority because of lack of self-confidence. They fear of making mistakes in their performance. It is the responsibility of the superior to develop their self confidence by guiding them and also creating a supportive environment.
7. **Lack of motivation:** Lack of motivational environment discourages subordinates to take responsibility and accept authority. Such environment is found in organizations where there is a lack of reward and judgment system.
8. **Authoritarian tendency:** Authoritarian leadership style also creates barriers in delegation of authority. Such managers believe in self decision, giving instructions and close supervision of subordinates. They never want to delegate even a small part of their authority. They over-burden themselves and cannot devote more time in managerial functions.

DECENTRALIZATION OF AUTHORITY

Decentralization is the philosophy of systematic and scientific delegation of managerial authority to the middle and lower level managers in accordance with their responsibility. This philosophy states that the top management should keep limited authority and delegate maximum authority to operating levels. Top management has to play the role of supervisor.

Louis A. Allen– *"Decentralization is the systematic and consistent delegation of authority to the level where the work is performed".*

Koontz and Weihrich– *"Decentralization is the tendency to disperse decision making authority in an organized structure".*

Dale S. Beach– *"Decentralization means placing the authority and decision making power as close as possible to the level at which the work is done".*

Therefore, decentralization is the systematic and scientific delegation of managerial authority to middle and lower level management according to their level of responsibility. In practical field, it is not possible to delegate absolute authority to the lower level management. Top level management can delegate only substantial power to the lower level management. Therefore, every organization has to decide how much authority should be centralized and how much should be decentralized. Generally, it depends on the nature and size of the organization and responsibility vested on the lower level. The top level management has to delegate such degree of authority to the lower level so that quick decisions and their implementation are possible.

and complexity, decentralization tends to
The top management cannot undertake all the increased
growth, the greater the need for
it has to be shared among the lower-level managers. When
supervisors at the middle and lower levels are given considerable
in decision-making, the organization is considered to be decentralized.
In a highly decentralized structure, more decisions are made at lower levels.
Decision making occurs at the level of the people who are most directly affected

potentiality	

gives importance to motivation.

is suitable where hates are trained, nced and intelligent.

leadership, leader takes ion by consulting with rdinates; so there is bability of slow decision.

ere, leader prefers articipative management, there is more possibility of using creativity and potentiality of employees in productivity.

C. Laissez-Faire or free rein leadership

Under this style, leaders avoid power and responsibility. They grant authority and responsibility to groups. The role of the leader is to provide advice and direction as requested by the subordinates. Group members perform everything themselves. Leader behaves primarily as a group and plays the role of a member only. The concept of management by exception promotes this type of style, where subordi

improving managerial efficiency and effectiveness. The improvement of managerial efficiency contributes to making the organization competitive in the modern business environment.

2. **Benefit of Specialization:** Specialization is the means of success in a dynamic environment. The management delegates authority as well as responsibility to subordinates on the basis of their ability and knowledge. This contributes in the development of the concept of specialization among the subordinates. The development of professionalism among the subordinates is helpful in developing the overall working environment of the organization.
3. **Motivation and morale:** Delegation of authority develops among the subordinates a feeling of status and prestige. It helps to improve their working efficiency. It also promotes a sense of initiative and responsibility among them. This ultimately leads to maintenance of high morale on the part of subordinates. This motivation and morale of subordinates encourages them to devote their effort towards the achievement of common goals.
4. **Training and development:** Delegation of authority provides a background for training and development of subordinates. The manager delegates some of his authority as well as responsibility to the subordinates in accordance with their ability. The subordinates have to perform a task on behalf of the superior and in the same situation they have to take decisions by using their own ideas and knowledge. This environment provides a framework for the development of managerial ability among the subordinates.
5. **Facilitates growth and expansion:** Delegation of authority facilitates growth and expansion of business activities. It provides flexibility in the organizational structure. According to the requirement, more layers can be added to the existing organizational structure through the process of delegation. It helps in adjusting additional managerial functions that come up due to expansion and diversification of business. The work, authority and responsibility are divided among the subordinates while the top management plays the role of a supervisor.
6. **Quicker and better decision:** Delegation of authority ensures a quicker and better decision. Subordinates get the authority to decide on the matters of their own area by remaining within the limitations. Here, subordinates can take quick decisions without consulting the superior. Decision making is also better because subordinates are closer to the reality of the situation.
7. **Basis of organizing:** Delegation of authority is the basis of forming an organizational structure. The number of layers in the organizational structure depends upon the nature of delegation of authority and responsibility. In a similar way, the functioning of the enterprise is not possible without an organizational structure. Therefore, the management has to first decide on the layers of delegation of work, authority and responsibility and then proceed with the formation of organizational structure.

4. *Delegation for organizational purpose:* A superior delegates his authority for organizational purpose. He cannot delegate the authority to fulfill his personal objectives.
5. *Revocation of delegated authority:* Authority once delegated may be withdrawn or reduced on the basis of nature of the duties and its effectiveness. It can be completely withdrawn in case of ineffectiveness and termination of subordinates from the organization. Therefore, a manager does not permanently delegate his authority.
6. *Balance of authority and responsibility:* A manager has to delegate authority to the subordinates on the basis of weightage of responsibility given to him. The assignment of responsibility to a subordinate without proper authority becomes worthless because that subordinate cannot perform the functions independently and efficiently. In a similar manner, delegation of more authority than actually needed may create problems and may be misused.
7. **No delegation of responsibility:** A manager can delegate authority to his subordinates in accordance with assigned responsibility, but the final responsibility, however, lies on him. He cannot escape from his responsibilities.

Advantages of Delegation of Authority

The increase in volume of business and dynamic environment ushers in complexities in business activities. Therefore, a single manager cannot perform all the works of the organization. Here is when the concept of delegation of authority comes into practice. Delegation of authority extends the personal capacity of the manager and helps him expand his ability through subordinates' support which is essential for the achievement of organizational objectives. The following are the major advantages of delegation of authority:

1. *Minimize work load of managers:* Delegation of authority minimizes the workload of managers. They can assign regular and routine nature of work to their subordinates while they concentrate more effectively in managerial and creative functions. In this way, delegation of authority helps in

decentralization tends to
the greater the need for
management cannot undertake all the increased
among the lower-level managers. When
supervisors at the middle and lower levels are given considerable
in decision-making, the organization is considered to be decentralized.
is a highly decentralized structure, more decisions are made at lower levels.
making occurs at the level of the people who are most directly affected

potentiality	

C. Laissez-Faire or free rein leadership

Under this style, leaders avoid power and responsibility. They grant authority and responsibility to groups. The role of the leader is to provide advice and direction

guidance, suggestions and instructions. It minimizes the work load of the top manager and also develops the overall working efficiency of the organization.

Ricky W. Griffin– *"Delegation is the process by which managers assign a portion of their total workload to others".*

Stoner, Freeman and Gilbert -*"Delegation is the act of assigning formal authority and responsibility for completion of specific activities to a subordinate".*

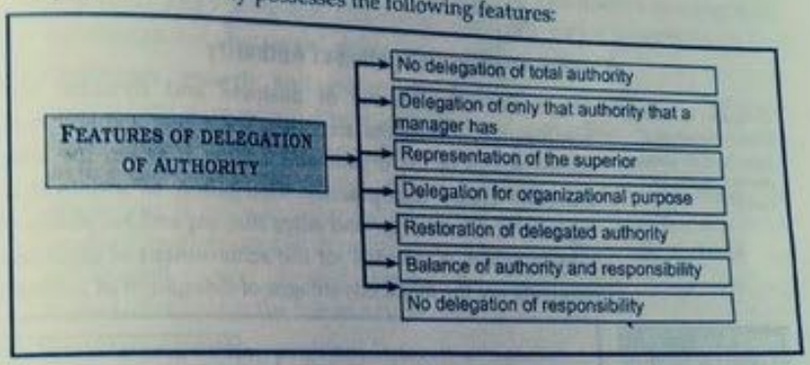
Theo Haiman– *"Delegation of authority merely means granting of authority to subordinates to operate within prescribed limits".*

D. E. McFarland– *"Delegation is that part of the organization process by which an executive makes it possible for others to share the work of carrying out the company's purpose. It also includes the process of assigning duties, responsibility and authority to those who he expects will aid him in doing the work".*

Therefore, delegation of authority is assigning work to others and giving them the required authority to perform the assigned task effectively. The concept of delegation has been developed due to the increase in the size of business and its complexity. A manager needs to delegate some of his authority to subordinates along with a specified responsibility. It is necessary to complete the work efficiently and effectively.

Features of Delegation of Authority

Delegation of authority possesses the following features:



1. **No delegation of total authority:** A manager cannot delegate his total authority to his subordinates. He can delegate only a portion of it. A superior's status would be affected if he/she delegates total authority to the subordinates. It is not possible and is also not allowed by the management concept.
2. **Delegation of only that authority that a manager has:** A manager cannot delegate that authority to a subordinate which he himself does not possess. It means that no one can give what he has not got. This feature is based on legality.
3. **Representation of the superior:** Delegation of authority to subordinates represents the superior in the subject matter which is delegated to him. In

[illegible] company [illegible] while in the environment [illegible] ously improved [illegible] systems. An example of an industry functioning in a dy[illegible] environment is electronics. Technology changes create compe[illegible] pressures for all electronics industries, because as technology changes [illegible] do the desires of consumers.

In general, organizations that operate in stable external environments [illegible] mechanistic structures to be beneficial. This system provides a level of efficiency that enhances the long term performances of organizations [illegible] even relatively stable operating environments. In contrast, organizations [illegible] operate in frequently changing environments are more likely to find that an organic structure which provides the greatest benefits. This structure allows the organization to respond to environment change more proactively.

5. **Technology:** Advances in technology are the most frequent cause of change in organizations since they generally result in greater efficiency and lower costs for the firm. Technology is the way where tasks are accomplished using tools, equipment, techniques, and human know-how.

- **Small-batch production** is used to manufacture a variety of custom made to order goods. Each item is made somewhat differently to meet a customer's specifications. A print shop is an example of a business that uses small batch production.
- **Mass production** is used to create a large number of uniform goods in an assembly line system. Workers are highly dependent on one another, as the product passes from stage to stage until completion. Equipments may be sophisticated, and workers often follow detailed instructions while performing simplified jobs.
- Organizations using **continuous process production** create goods by continuously feeding raw materials, such as liquid, solids, and gases, through a highly automated system. Such systems are equipment intensive, but can often be operated by a relatively small labor force.

DELEGATION OF AUTHORITY

Delegation of authority is assigning work to subordinates and giving them necessary authority to do the assigned work effectively.

The process of assignment of specific work to individuals within the organization and giving them the right to perform those works is delegation. Delegation of authority is one of the most significant concepts in management practice, which affects managerial functions. Management is the art of getting things done through others and delegation is the means to get the results through the subordinates. The expansion of business volume and diversification of line of business makes it impracticable to handle all the business by a single manager. Therefore, the concept of delegation of some managerial authority to subordinates comes into practice in present day business organizations. Here, the manager delegates some of his authority to his subordinates. This helps in developing a feeling of dedication to the work among the subordinates. The top level management plays only the role of a supervisor and visits them to provide

FIGURE 6.25
FEATURES OF DELEGATION OF AUTHORITY

Features

Delegatio

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and complexity, decentralization tends to [illegible] of organizational growth, the greater the need for [illegible] top management cannot undertake all the increased [illegible] and supervisors at the middle and lower levels are given considerable [illegible] to decision-making, the organization is considered to be decentralized. In a highly decentralized structure, more decisions are made at lower levels. [illegible]-making occurs at the level of the people who are most directly affected

potentiaus

C. **Laissez-Faire or free rein leadership**

Power

Power is the personal ability to command subordinates and influence their behaviour in accordance with requirement. It rests with persons and their capability. It is the outcome of the personality and competency of person. It is informal in nature. It does not form hierarchy. A manger working in subordinate level may have more power over his subordinates than a manager at higher level. Power yields result through the process of charisma and influence. Since power is a personalized attribute, therefore, it can not be delegated to others. The following are the common features of power:

- It is the ability to command and influence on subordinates' behaviour.
- It is the outcome of personality and competency
- It is informal in nature
- It does not form any hierarchy.
- It is personalized aspect, therefore, can not be delegated to others.

Responsibility

Responsibility refers to the obligation to perform the given work to the best of one's ability and knowledge. It is the obligation owed by a subordinate for the proper and efficient discharge of the work. Some have opinions that responsibility is the duty of task assigned to a subordinate according to his status and position in the organization. However, responsibility is not only duty; it is also obligation to complete the assigned task efficiently. It can not be delegated to others. The following are the common features of responsibility:

- It is obligation to perform jobs.
- It is a corollary of authority.
- It arises from superior-subordinates relationship.
- It is logical duty of a subordinate to explain his performance to his superior.
- It is static and absolute and can never be delegated to others.
- It proceeds upward from subordinates to superiors.
- It can be assigned only to human beings.

SITUATIONAL INFLUENCE ON ORGANIZATIONAL DESIGN

An organization's structure is defined by its arrangement and interrelationship of positions and departments. The organizational design of a company reflects its efforts to respond to changes, integrate new elements, ensure collaboration, and allow flexibility. Organizational design is a managerial decision that determines the structure and process that coordinates jobs in the organization. Organizational design determines the authority responsibility relationship and line of communication in the organization.

Once an organization has a plan, the next step is to make it happen. There are two basic forms of organizational structure; they are mechanistic and organic. Few things last long term without being changed. Even well known brand

Some of the common features of authority are as follows:-

- It lies in managerial positions
- It is hierarchical in nature
- It defines superior- subordinate relationship
- It is the means to managerial job
- Mangers need to consider legal, social and organizational limitations for using authority.

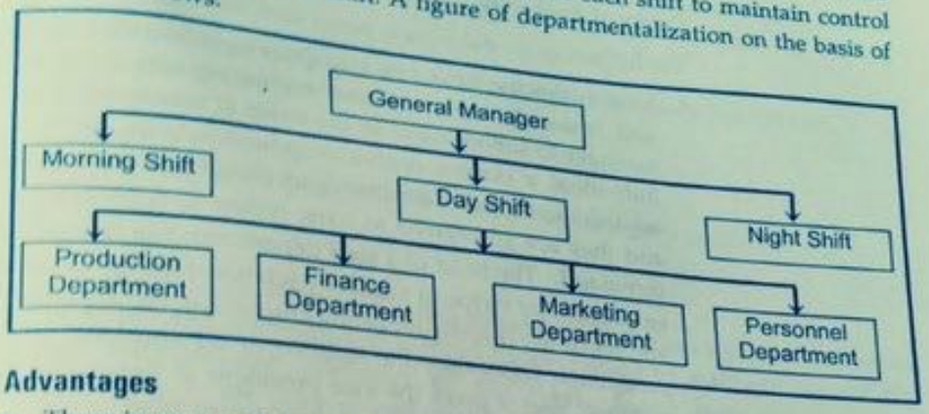
Types of Authority

The following are the three types of authority:

1. **Line authority:** Line authority gives right to direct the work of subordinates and make decisions without consulting others. It flows vertically from manager to subordinates in the chain of command. Line authority gives an individual a certain degree of power relating to the performance of an organizational task. Line managers are always in charge of essential activities and they are authorized to issue orders to subordinates down the chain of command. The head of a staff department has line authority over his or her employees by virtue of authority relationships between the department head and his or her directly reporting employees. For example, line authority gives production supervisor the right to direct employee to operate a particular machine, and it gives the vice president of finance department the right to request a certain report from a department head.
2. **Staff authority:** Staff authority is the right to advise or counsel line authority. Staff authority supports line authority by advising, servicing, and assisting. They can give advice and suggestions, but line managers do not have to be obeyed. Staff authorities can only advice line personnel to improve line operations. For example, human resource department employees help other departments by selecting and developing a qualified workforce. A quality control manager assist a production manager by determining the acceptable quality level of products or services and carry out statistical analysis to ensure compliance with quality standards.
3. **Functional authority:** Functional authority is referred to as limited line authority. It gives power to staff assistants over a particular function. Functional authority is a special type of authority for staff personnel, which is designated by top management. For example, members of an accounting department have the authority to request documents they need to prepare financial reports, or human resource manager has the authority to ensure that all departments are complying with equal employment opportunity laws.

F. Departmentalization by Time

Time is also a basis of departmentalization in many organizations, especially, those that involve in public utility production or service. Generally, hospitals, hotels, telecommunication and other public utility organizations which work around the clock form departments on the basis of time shift such as day, evening and night shifts. Therefore, a separate department is created on the basis of shift and a departmental head is appointed for each shift to maintain control the activities of concerned shift. A figure of departmentalization on the basis of time is as follows:



Advantages

- There is proper division of works into different shifts.
- It facilitates coordination by grouping members into shifts.
- It ensures effective utilization of specialized skills and equipments.
- It provides full responsibility to the shift head to complete activities which improves product/service efficiency.
- It helps in the appropriate use of resources and facilities.

Disadvantages

- It is appropriate only for public utility enterprises where the work is round the clock.
- The technical problem in one shift may create problems for the entire shift.
- There is possibility of conflict among managers of different shifts.
- It is more difficult to maintain coordination among different shift managers.
- The responsibility of total profit cannot be assigned to a shift department.

CONCEPT OF AUTHORITY, POWER AND RESPONSIBILITY

Authority is right vested in a managerial position

Authority is the right vested in a managerial position. It facilitates the manger to occupy managerial position to direct subordinates. It is also the right to take decision and use resources to achieve organizational goals. It is formal in nature. It forms hierarchy from top level to subordinate level. Some of the authority of upper level manager may be delegated to subordinate level on the basis of responsibility. Managers need to consider rules, regulations and procedures of the organization for using authority.

TALL AND FLAT ORGANIZATION

Tall Organization

In tall structure, main authority is at the top level and functional authority is divided among different departments

It is a classical and traditional type of organizational structure. This structure is developed in a tall or pyramid shape. Under this structure, the main authority is at the top level while the functional authority is divided among different departments. There is hierarchy of command which flows from the top level to the lower level. There is a narrow span of control and wide division of labor on the basis of function. This type of organizational structure is generally found in traditional enterprise. There is a wide distance from the top level to the bottom level of the management. Some of the features of a tall organizational structure are as follows:

- Centralization in authority
- Narrow span of control and wide division of works
- There is extended communication line from top level management to the lower level
- There is wide distance from top level to the bottom level
- There is unity of command and it is directly from the top level management

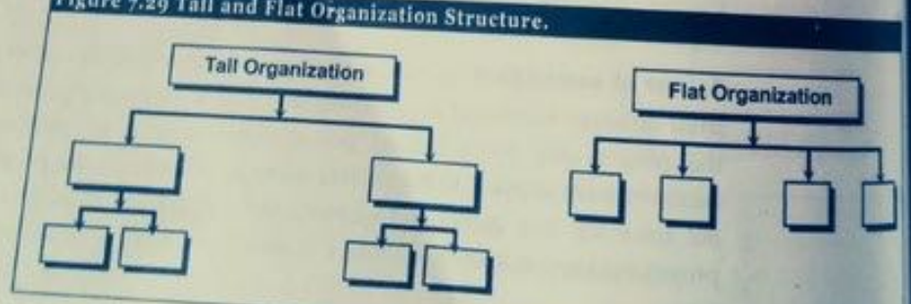
Flat Organization

In flat structure, functional area is expanded on flat position on the basis of nature of function

The concept of flat organization structure has been developed due to increment in functional area. In this structure, the functional area is expanded on a flat position on the basis of nature of function. There is a wide span of control. For each functional department, a specified authority and responsibility have been delegated. There is a concept of decentralization and authority has been delegated on the basis of responsibility. The top level management has direct relations with all the functional departments. The following are the features of flat organization structure.

- There is high level of decentralization
- There is wide span of control
- There are more functional departments
- There is close and personal supervision of top level management to each department

Figure 7.29 Tall and Flat Organization Structure.



COORDINATION

Coordination is the process of communicating and harmonizing the activities of all the departments and members to bring unity of action

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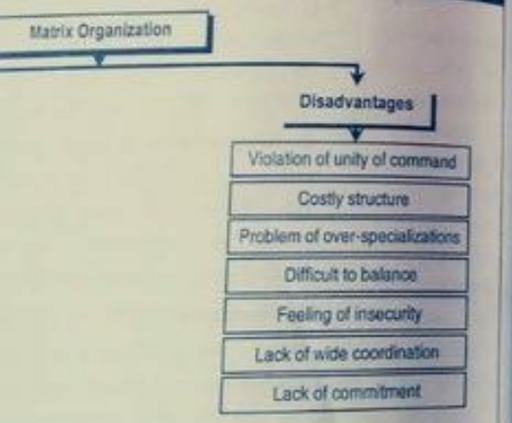
management: This structure encourages delegation of gers. They are responsible for regular operation of the hority to take decisions related to the day-to-day operation sufficient time to the top management to make strategic than operational activities. The initiation and creativity t are necessary for further development of organizational

plinary specialization: Since specialists and experts are plinary areas, there is possibility of quality performance lists from any inter-disciplinary area interact with each ity to expand technical excellences into many inter- many activities. Again, this contributes in developing of the organization.

: Here, many members, both from the project and hieving common objectives. They interact with each close relation with each other. Besides, both project the role of coordinators among them. This working of team spirit among the members. This contributes efficiency of the organization.

dvantages of Matrix Organization



anization

ges of matrix organization:

In matrix structures, subordinates have to follow superior. Generally, they receive orders from n project managers. In some cases, subordinates

may receive instructions from both the superiors at a time, which confuses the subordinates. To avoid this problem, frequent and comprehensive communication among project and functional managers is necessary.

2. **Costly structure:** This structure maximizes administrative cost. Here, specialists from the project as well as functional authorities involve in project works. It maximizes paperwork and other information costs. Besides, it is essential to pay lump-sum remuneration to functional and project specialists.

3. **Problem of over-specialization:** In some situations, matrix organization creates a problem of over-specialization. Specialists from both functional and project works gather to solve many complex problems of the organization. As many experts gather to solve problems, in some cases, they waste valuable time in discussing unrelated subject matters. Thus, there is a possibility of delay in decision making. In one way, it maximizes the cost of the organization, and in the other it delays decisions resulting in losses in the business.

4. **Difficult to balance:** Matrix structure demands a high level of inter-personal relations and skill. It is essential to involve both functional and project specialists. Besides, it is essential to maintain a balance among these authorities to bring about uniformity in the organizational performance. In practical field, it is more difficult to maintain a balance among these authorities, especially if they have no positive attitude towards each other. Thus, the top level management has to invest more time to maintain mutual relation among these authorities.

5. **Feeling of insecurity:** A feeling of insecurity among the employees is one of the limitations of matrix structure. In many cases, a project runs only for a fixed duration. After completion of the defined works, there is more probability of the dissolution of the project. In such a situation, the problem of unemployment may arise if another project is not available to the organization.

6. **Lack of wide coordination:** Time limit factor of the matrix structure creates problems in maintaining wide coordination among all the mechanisms of the organization. A project manager has been given a fixed time to coordinate all the mechanisms to complete the given work within the fixed time. As the time factor is limited, the manager cannot maintain a wide coordination among various departments and authorities.

7. **Lack of commitment:** In matrix structure, many specialists and experts are drawn from different functional departments in a project. They are generally appointed in the project only for a limited period. Their role is to provide technical and administrative support to the project manager. However, the project manager does not have the line authority to coordinate and control these personnel. Hence, a project manager is unable to make a commitment to achieve the project objectives in time.

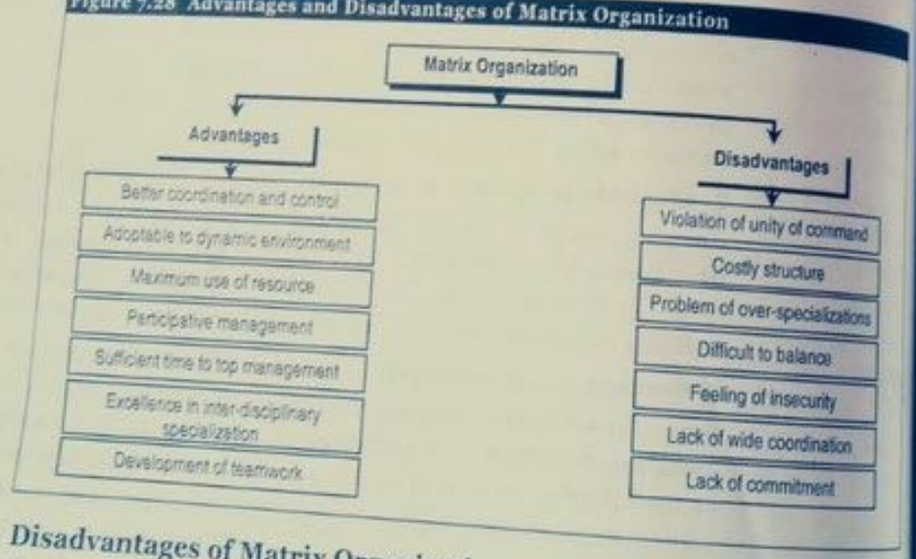
the commitment of members to complete the given work within the defined time and standards.

5. Sufficient time to top management: This structure encourages delegation of authority to project managers. They are responsible for regular operation of the project. They have the authority to take decisions related to the day-to-day operations of projects. This provides sufficient time to the top management to make strategic planning and policies rather than operational activities. The initiation and creativity of the top level management are necessary for further development of organizational activities.

6. Excellence in inter-disciplinary specialization: Since specialists and experts are involved in many inter-disciplinary areas, there is possibility of quality performance and output. Similarly, specialists from any inter-disciplinary area interact with each other to get better opportunity to expand technical excellences into many inter-disciplinary areas and also in many activities. Again, this contributes in developing the overall working efficiency of the organization.

7. Development of teamwork: Here, many members, both from the project and functional areas, involve in achieving common objectives. They interact with each other and develop mutual and close relation with each other. Besides, both project and functional managers play the role of coordinators among them. This working environment develops a feeling of team spirit among the members. This contributes to develop the overall working efficiency of the organization.

Figure 7.28 Advantages and Disadvantages of Matrix Organization



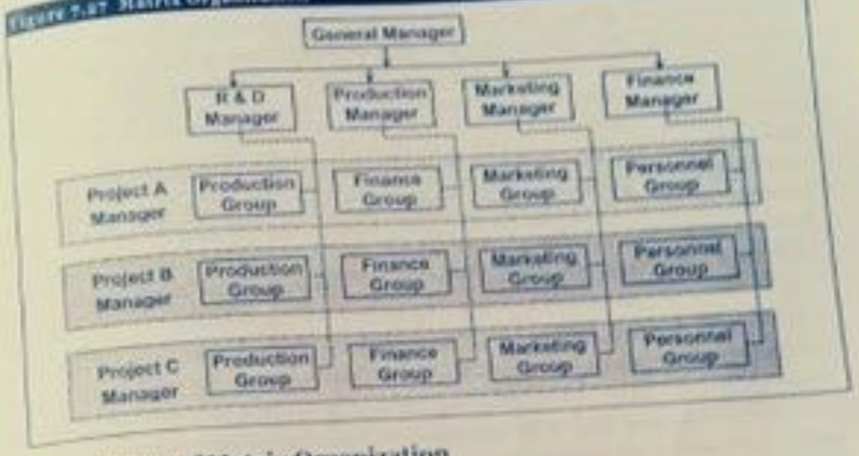
Disadvantages of Matrix Organization

The following are some disadvantages of matrix organization:

1. Violation of unity of command: In matrix structures, subordinates have to follow instructions from more than one superior. Generally, they receive orders from functional managers as well as from project managers. In some cases, subordinates

collaboration and cooperation among a wider range of people. A specimen of the matrix structure is as follows:

Figure 7.27 Matrix Organization



Advantages of Matrix Organization

The following are some advantages of matrix organization:

1. Better coordination and control: The main responsibility of the project manager is to maintain coordination among interrelated factors of a particular project. He has to communicate both with the horizontal and vertical authorities so that the project work can be run smoothly. Similarly, functional managers are responsible for providing technical and administrative guidance to projects. This leads to a better and more effective control over regular operation.

2. Adaptable to dynamic environment: This structure is adaptable to the frequent changing and uncertain environment of the business world. The project managers have functional independency and they can get quick feedback with information related with projects. Thus, decisions can be made in time, which contributes to reducing the adverse effects of any sudden change in the environment.

3. Maximum use of resources: In matrix structures, many projects are handled at a time. As such, there is more possibility of maximum use of available resources including manpower. The specialization staff and experts of a completed project can be used in other projects. It minimizes extra cost of hiring new personnel. Similarly, surplus material, plant, equipment and other resources of a completed project can be transferred to another project. Thus, available resources can be used within the organization and the wastage of resources can be minimized.

4. Participative management: Matrix structure emphasizes on participative management. Here, people are working together on a project as a team. High-level management provides motivational atmosphere within the organization. It takes suggestions, information and ideas from functional and project experts before taking

process they get knowledge about internal matters of the organization. Thus, there is more probability of leakage of internal plans and strategies of the organization. In some situations, lack of secrecy may be the reason for business losses in the organization.

6. Distribution of responsibility: In a committee organization, many members are involved in the decision making process. In some situations, the committee may take a wrong decision and in such a case no member individually takes the responsibility for the wrong decision on behalf of all the members. Everyone wants to shift the responsibility to other members of the committee. Similarly, executives refer the responsibility to the committee if they find difficult to take decision.

7. Splits accountability: In a committee organization, nobody is held accountable for a decision made by a committee. A committee's decision is known as nobody's decision just because it is everybody's decision. Problems in an organization may arise when any mistake is made in the decision making process. Here, nobody wants to take the responsibility for the mistakes on behalf of all members of the committee.

MATRIX ORGANIZATION STRUCTURE

Matrix organization is formed to complete various types of project of specific and unique nature

Matrix organization structure is a special type of problem solving form of an organization. Generally, matrix organization is formed to complete various types of project of specific and unique nature. This is also known as project management structure. It requires diverse technical and administrative experts to adjust efficiently with the dynamic and rapidly changing environment of the business.

In matrix structure, a major project is assigned to the project manager and he is given a team of specialists from different disciplines. The team members may be from various functional areas such as research and developement, production, finance, marketing etc. This team provides support to the general manager to complete the project in a given time frame. In general sense, matrix organization is a combination and interaction of functional and project managers. The project manager is responsible for the overall direction and integration of activities and resource of the concerned project. Generally, their responsibility is to integrate the efforts of all functional managers, planning and implementing the project policies, accomplishing work on schedule and within the predetermined budget. The functional managers look after the operational side of the project. Their responsibility is to provide technical guidance and skilled functional staff and complete the project within the standard technical specifications.

Matrix structure integrates the efforts of functional and project authority

Especially, matrix structure integrates the efforts of the functional and project authority. The authority of the functional manager flows vertically down from the superior to the subordinates. The project authority flows horizontally crossing vertical lines. In this structure, each subordinate works under two superiors: one is the project manager and the other is the functional manager. As such, this structure does not follow the principle of unity of command and scalar chain. This organization is more democratic, human and participative and it maintains

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Figure 7.27 Matrix Orga

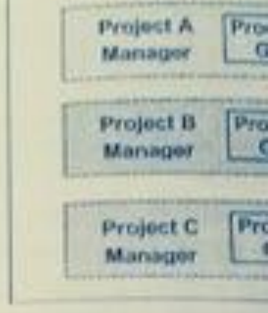

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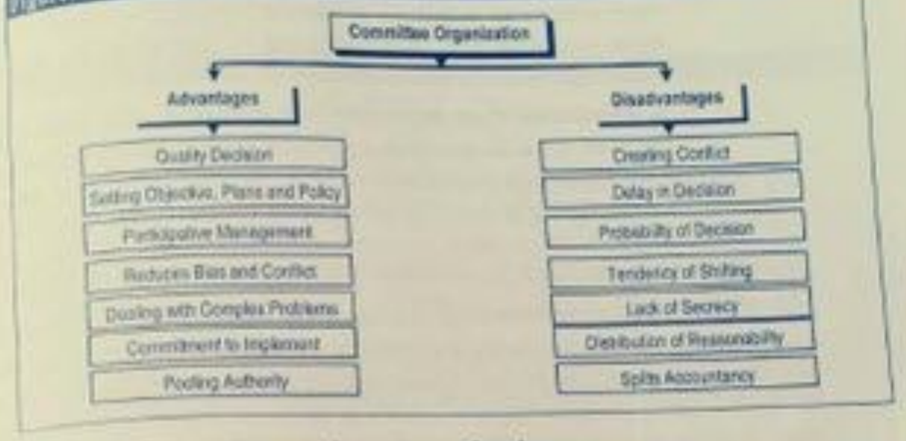
Figure 7.26 Advantages and Disadvantages of Committee Organization



Disadvantages of Committee Organization

The following are some major limitations of committee organizations:

1. **Creating conflict:** In some situations, a committee organization creates confusion or conflict in the decision-making process. Ideas or views of a member may be in conflict with the views of other members. In such a situation, the concept of groupism may arise in an organization. The creation of groupism among the members may lead to delay in taking decisions. In a similar manner, it becomes difficult to implement the decisions.

2. **Delay in decision:** This is a common limitation of a committee organization. The committee members take more time to discuss the various factors of a problem. The valuable time of the committee members is spent on discussion. The delay in decision results in extra financial burden to the management.

3. **Probability of diversion:** In some cases, committee discussions may be diverted to other subject matter. In such a situation, committee members cannot come to a conclusion within the given time frame. They have to gather several times to come to an appropriate conclusion. In some situations, the delay in taking decisions may be the reason for business loss of the enterprise.

4. **Tendency of shifting:** It is common to shift tendency of decision to committee. When the executives feel difficult to take decision in important problems, they often shift it to committee. Generally, top management authorities have the attitude that members of the committee are experts in their own fields. Hence, they shift responsibility to make decision to the committee. This attitude of line authorities minimizes their initiative and creativity, which provides negative impact on organizational performance.

5. **Lack of secrecy:** Maintaining secrecy of internal matters is difficult in a committee organization. Here, many members are involved in the decision making process. All the members of the committee discuss the problems in detail and in the

COMMITTEE ORGANIZATION

Committee is a group of people with various kinds of knowledge, which is formally constituted to solve specific problems of the enterprise. During the course of operation, many problems may arise in the enterprises and to solve such problems, the management constitutes committees by gathering members from the areas concerned. The management takes decisions and solves problems in accordance with information and suggestions given by the committee. This contributes to minimizing workload of the top management and solving difficult problems.

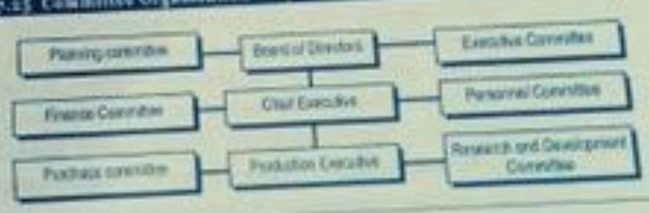
According to **Newman**, *"A committee consists of a group of people specifically designed to perform some administrative acts. It functions only as a group and required the free exchange of ideas among its members."*

According to **Fred Luthans**, *"Committee consists of groups that are formed to accomplish specific objective."*

Committee is common in modern and large scale organizations. Committee may be of two types: Executive (Permanent) committee and Advisory (Ad hoc) committee. Permanent committees perform their functions in a regular basis. They are involved in planning and decision making functions of the organization. They solve all types of regular problems which crop up in the organization. Advisory committee is formed for a specific purpose to play an advisory role. Generally, ad hoc committee is formed for a temporary period and is automatically dissolved after completion of the given work or time.

The primary functions of a committee is to suggest and guide the management in decision making procedures and in solving problems of the various departments e.g. production, finance, marketing, personnel etc. Depending upon the nature and size of the organization and situation, various types of committee can be formed. Some specimen committee organizations are as follows:

Figure 7.25 Committee Organization



Advantages of Committee Organization

The following are the advantages of committee organization:

1. Quality decision: Quality decision is one of the advantages of a committee organization. Here, members having knowledge on various fields and experiences are gathered. They discuss and interpret the problems from various angles and finally come to the decision. They evaluate alternate decisions in various ways and finally

choose the best conclusion. This is helpful in tackling complex problems and implementing the decisions.

2. Setting objectives, plans and policies: This is the primary task of a committee. All organizations are established for a definite objective and for this, it is essential to prepare plans and policies. They provide a framework for setting an organization's objectives. They also provide suggestions and information for making plans and policies to achieve defined objectives.

3. Participative management: Committee organization ensures participating of competent members in management. Here, all the members have the right to put forth their ideas and views in the decision making process. Other members of the committee cannot ignore the ideas and knowledge of a member. The democratic process is taken into consideration in the decision making process. The possibility of committee decisions being implemented is more.

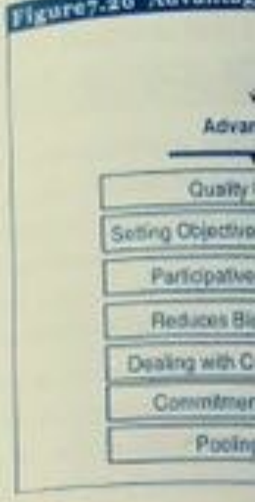
4. Reduces bias and conflict: Committees facilitate the development of relations among members and their relation with the line management. They also help in maintaining close communication and transformation of information among related authorities. Thus, there is less probability of bias or mistakes in a decision. In a similar way, the development of mutual relationship helps to resolve conflict among the members.

5. Dealing with complex problems: Committee organization facilitates in dealing with complex and difficult types of problems. In some situations, during operations, many complex or critical problems may arise in an organization. It is more difficult to solve such problems by a line authority and even by the top management. In such cases, committees are formed by pooling experts from the concerned field so that it becomes easy to resolve such problems in a systematic manner.

6. Commitment to implement: A committee is formed to resolve complex and specific problems that arise in an organization. Generally, members of the committee are experienced and experts in their own fields. Besides, expert representatives from the top level management are also involved in committees. They come to a conclusion after detailed discussion and evaluation of the impact of alternative decisions. Therefore, all members also participate in the execution of a decision.

7. Pooling authorities: In the process of investigation and research, some authority of the top management is also shared among the committee members. The committee members can perform their works independently by remaining within the defined area. All the members have equal authority in the committee. Thus, the executive level comes to a conclusion with help and mutual consent of all the committee members.

Figure 7.26 Advantag



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viii. Burden of work	In line organization, major executives are over-burdened. They have to involve both in executive and operational works	In functional organization, major are divided among functional specialists, hence workload on top management is minimum
ix. Coordination	It is easy to maintain coordination among all the members involved in the organization	It is difficult to maintain coordination as every functional specialist performs functions independently
x. Suitability	This organization structure is suitable only for small and medium scale organizations	This organization structure is suitable for large scale organizations

Difference between Line and Line and Staff Organizations

The following are the major points of difference between line organization and line & staff organization:

Basics of Difference	Line Organization	Line and Staff Organization
i. Provision of specialist	There is no provision of functional specialist to provide guidance and suggestions to line authorities	There is provision of functional (staff) specialists to provide guidance and suggestions to line authorities
ii. Authorities	There is centralized authority at the top level management. It has full authority of control over all the mechanisms of the organization	There is also a centralized authority at the top level management. Besides, specialists involve in suggestions, guidance and planning
iii. Unity of command	Every subordinate has only one superior to command him. Thus, there is unity of command	There is a unity of command, but line authorities are not compelled to implement experts' advice
iv. Discipline	There is strict discipline among personnel. They have to complete any instruction from top level management	To some extent, there is liberalism in discipline. Functional specialists have freedom to provide suggestions and guidance
v. Types of personnel	There is only one type of personnel, i.e. line authority in line organization	There are two types of personnel i.e. line and staff authorities are involved in line staff organization
vi. Burden of work	Major executives are over-burdened with work. They have to involve both in executive and operational works	Staff specialist provides guidance and information in planning and decision making process. Thus, line authorities can involve in executives works
vii. Decision making	Decision can be taken promptly as top level management has sole authority. However, there may be possibility of imbalance for practical execution	Decision may be delayed as it is essential to consult with staff specialist. But, it brings balance for practical implementation
viii. Suitability	It is suitable for small and medium enterprises	It is suitable for large-scale enterprises having complete personnel structure
ix. Cost factor	Only line authorities are involved in management, hence it is more economic	There are both line and staff specialists in management, hence comparatively it is costly
x. Scope for conflict	There is unity of command and there is no scope of conflict among line organization.	There is more risk of conflict between line executives and staff experts

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5. **Inefficient staff:** Functional specialists have no formal right to take active part in the preparation and implementation of plans. Their role is limited only to providing advice and suggestions to line authorities. Whether or not to accept their suggestions depends upon line authorities. They cannot compel line authorities to implement their suggestions and ideas. Therefore, functional specialists feel ineffectiveness of their presence and works.

6. **Lack of responsibility:** Line managers may depend too much on functional specialists. Line managers may even implement plans in accordance with functional specialists' advice and suggestions. In such a situation, line authorities may lose their commitment and creativity. Generally, staff specialists are not accountable for the execution of plans and results of the organization. Their role is limited only to providing ideas and suggestions. Therefore, in some situations, both line and staff authority may become careless about their responsibility.

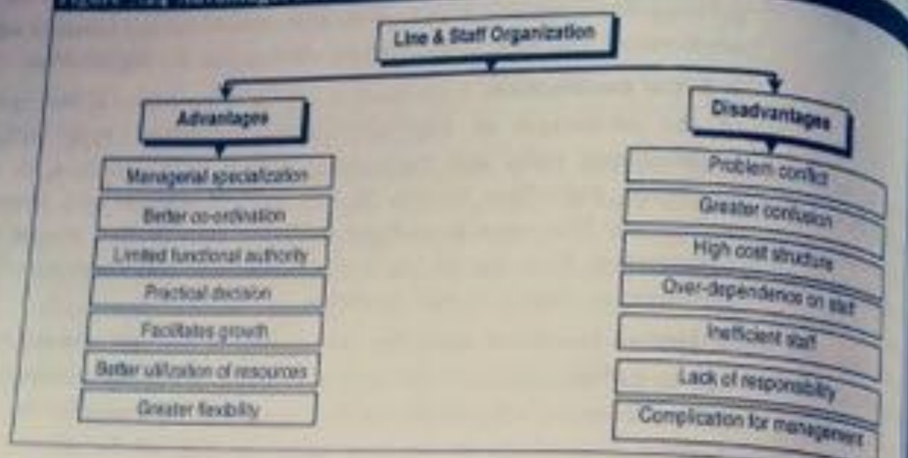
7. **Complication for management:** It is more difficult to coordinate and manage both line and staff authorities, as both may have negative attitude towards each other. In some situations, the top management is confused in handling line and staff authorities. This becomes a serious problem to the management, specially, in emergency situations. The top management has to implement its tactfulness to maintain coordination and mutual relation among both the authorities.

Difference between Line and Functional Organizations

The following are some points of difference between line and functional organization structures:

Basics of Difference	Line Organization	Functional Organization
i. **Meaning**	Line organization is a structure where there is direct line of authority from top level to the subordinate level through an unbroken chain	Functional organization is a structure where all business activities of an enterprise are divided into a number of functions and each function is entrusted to a specialist
ii. **Nature**	It is a simple type of organization where there is clear line of authority from top level to subordinate level	It is a comparatively complex type of organization and there is lack of clear line of authority
iii. **Unity of command**	In line organization each subordinate has only one superior to command him	In functional organization, every subordinate has several superiors to command him
iv. **Authority**	In line organization, there is centralized authority and subordinate level authorities have no authority to take decision	In functional organization there is decentralized authority and functional staff members have authority to take decisions of their own department
v. **Cost factor**	Only line authority is involved in management, hence it is more economic	Functional specialists are involved in every department, hence, comparatively it is a costly type of organization
vi. **Decision making**	Top level managem... s sole authority to take any 'ecision; As such, it is possible to ı e a quicker decision	It is essential to gather suggestions and information from functional specialists. As such, it is not possible to take quick decisions
vii. **Provision of specialization**	There is no provision of functional specialist for specific works	Every specific work of every department is entrusted on a functional specialist

Figure 7.24 Advantages and Disadvantages of Line and Staff Organization.



Disadvantages of Line and Staff Organization

The following are some disadvantages of line and staff organization:

1 Problem of conflict: One of the limitations of line and staff organization is the problem of conflict between line and staff authorities. This problem creates a tense environment and puts a question mark on the development of the working efficiency of the organization. The top level management has to exercise more power to maintain coordination among the members.

2. Greater confusion: The line and staff organization creates confusion in the minds of the manager, subordinates and also among line and staff authorities. The lack of demarcation of authority and responsibility between line and staff authorities creates confusion among them. It creates greater confusion among the subordinates as to whom they are responsible. It may create problems for the management in communication, coordination and control in organizational activities.

3. High cost structure: The line and staff organization needs more administrative cost. This structure needs two types of executives — line and staff. Line authorities are efficient in their own line of business and, as such, they expect more remuneration. Meanwhile, functional specialists are to be paid more. As such, it is impossible to minimize the cost and maintain higher efficiency in operation with limited resources. Thus, this structure is not suitable for small and medium scale enterprises having limited resources.

4. Over-dependence on staff: In some situations, line executives may be over-dependent on staff members for information and suggestions. In a similar way, they make plans in accordance with functional specialists and implement plans according to their own creativity, initiative and judgment. This may exploit the main theme of line and staff concept and can have a negative impact on the business line of the enterprise.

of business and are also responsible for the completion of given work. Besides, they get suggestions, guidance and advice from functional specialists in accordance with requirement. This adds to the working efficiency of the organization.

2. Better coordination: Coordination among all personnel of the organization is one of the advantages of line and staff organization. Line authorities involve implementing plans and maintaining control over activities. In a similar way, functional authorities involve in providing guidance and suggestions to line authorities. This helps in maintaining better coordination among members of the organization. Basically, the top level management plays a major role in maintaining coordination among the staff members.

3. Limited functional authority: This feature of line and staff organization provides aid to the management. The line authorities are given authority only to exercise control over the subordinates of their own line departments. The provision of such functional authority in one way saves the time of the general manager, and in another, facilitates quick and efficient implementation of instructions. This is helpful for the further development of working efficiency of the management as well as of the organization.

4. Practical decision: The right decision at the right time is essential for business success. In this structure, the top management and line authorities are responsible for the decisions. They can take better decisions by taking suggestions and information from functional staff members. This helps in maintaining a balance between various activities of the organization.

5. Facilitates growth: The line and staff organization structure facilitates growth and helps develop business activities of the enterprise. Here, both line and functional authorities work jointly in achieving organizational objectives. An enterprise can expand its business and can diversify its lines of business in accordance with scope and financial benefits. The expansion and development of business activities does not create any major problems in this structure.

6. Better utilization of resources: Better utilization of available resources is essential for successful attainment of organization objectives. The line and staff organization facilitates better utilization of organizational resources including manpower. Here, both line and staff officials perform their functions through mutual cooperation and coordination. Proper and efficient utilization of human resources contributes to minimizing wastage and helps in the breakdown of other resources. This is helpful in maximizing productivity.

7. Greater flexibility: This organization structure provides a better scope for flexibility. New line departments can be created on the basis of requirement. Line authority and subordinates can be appointed in the departments concerned. In a similar way, the management can modify authority and responsibilities of the employee according to requirement. This provides scope for growth and expansion of business activities of the enterprise. The staff authority supports in solving complexities arising due to expansion and growth of business.

subordinates and in the similar manner subordinates may shift their responsibility to functional specialists. Such an environment creates problems in achieving defined objectives.

LINE AND STAFF ORGANIZATION

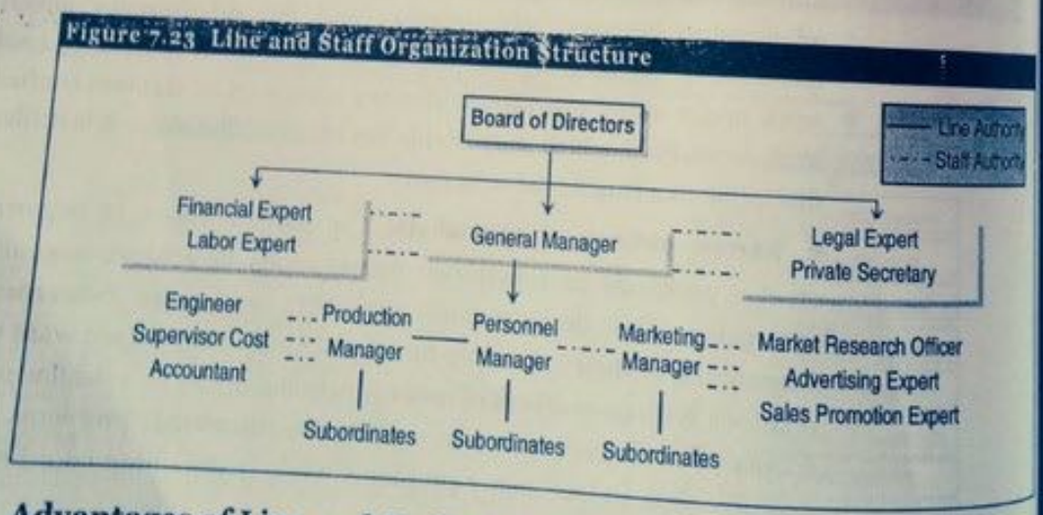
In line and staff organization, there is a provision of chain of commands as in line organization, and besides, there is a provision of functional specialist

In simple sense, line and staff organization is the outcome of positive sides of both line and functional organizations. Line organization has a simple pattern of structure and there is lack of managerial specialization. In a similar manner, functional organizational structure creates complexity in operation due to lack of defined relationship between superiors and subordinates. Line and staff organization has been developed to strike a balance between the unity of command and functional specializations. Under this organization, there is a provision of a chain of commands as in line organization, and besides, there is also a provision of functional specialists to provide suggestions and guidance to line managers in taking important decisions. The functional specialists (staff) are involved only in advisory works and have no authority to give instructions to line managers and subordinates. As such, works of the organization are broadly divided into two: line and staff. The staff is responsible for the preparation of plans, while line authorities are responsible for implementation of plans.

In conclusion, line and staff organization is the combination of line and functional organization

Thus, line and staff organization is the combination of line and functional organizations. Functional specialists contribute to making plans and line managers are responsible for implementation of plans in practical field. This organization is designed to overcome the limitations of both the line organization and functional organization structure. This structure is suitable for medium and large scale organizations.

Figure 7.23 Line and Staff Organization Structure



Advantages of Line and Staff Organization

The following are some points of advantages of line and staff organization:

1. Managerial specialization: In line and staff organization, work of the organization is divided among the line authorities. Line authorities are efficient in their own sector

obey orders because they receive more than one order at a time. There may be a possibility of division of loyalty of subordinates among many functional managers. Besides, there is more difficulty in fixing the responsibility of jobs. Here, both functional specialists and subordinates do not want to take full responsibility of works because of the violation of the principle of unity of command.

2. Lack of co-ordination: Every department of the enterprise is given to a functional specialist. The department heads are independent to perform their departmental works. There is no provision of formal relationship among the departmental specialists. There is lack of mutual understanding among them. The general manager may face serious problems in coordinating departmental activities because of the static and narrow vision of departmental specialists.

3. High administrative cost: The functional organization needs more administrative cost. In such an organization, many functional specialists are appointed in various departments. The functional experts are to be paid more remuneration. So, it is impossible to minimize cost and maintain higher efficiency in operation. Thus, this structure is not suitable for small and medium scale enterprises having limited resources.

4. Delay in decision-making: Quick decisions and prompt implementation are present day needs of a business organization. However, in functional organization, there is no possibility of quick decisions. It is essential to take suggestions and guidance from experts before taking a decision. Thus, the management has to invest more time to come into a concrete decision. The delay in decision making, in some situations, may become the reason for business loss.

5. Spoils human relations: In functional structure, it is more difficult to maintain a mutual relation among members of the organization. There is complexity in the relationship between the superiors and the subordinates which spoils human relationship in the enterprise. Due to lack of unity of command, a subordinate has to work under many executives. In many situations he receives conflicting instructions from executives which may divide his loyalty. Therefore, it is difficult to maintain a discipline in a functional structure.

6. Narrow outlook of specialists: The narrow vision of departmental specialists creates problems in functional organizations to achieve overall objectives of the enterprise. The departmental specialists are more concerned about efficient functioning of their respective functional areas. They do not want to maintain mutual relations with co-workers of other functional areas. In a similar manner, they do not cooperate with each other in solving organizational problems. As such, the chief executive has to face many problems while maintaining coordination among all the functional areas of the enterprise.

7. Shifting responsibility: Fixing a definite responsibility for the functional specialist or a subordinate is difficult in this type of organization. There is lack of unity of command and everyone wants to shift responsibility of unsatisfactory works to others. For instance, a functional specialist may shift his responsibility to

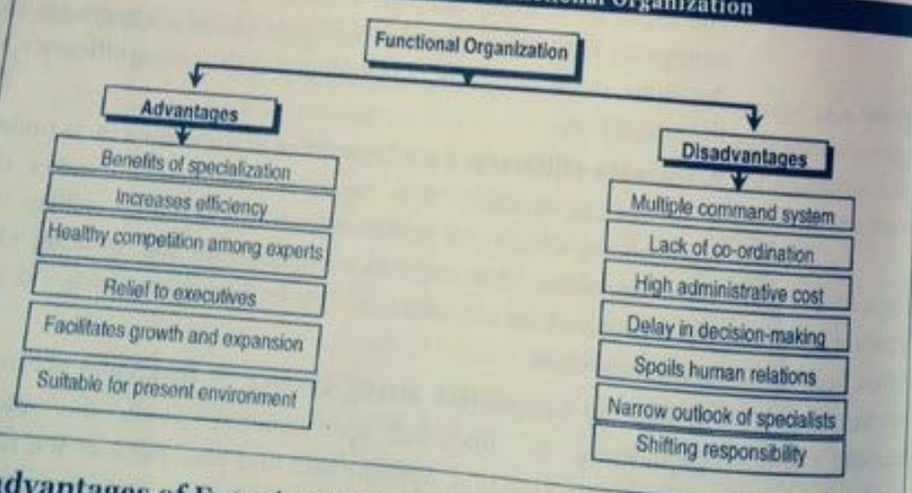
4. Relief to executives: In a functional organization, work is divided on the basis of functional specialization. Under this structure, managers are not over-burdened with maximum workload as in the case of line organization. Here, every manger has to work in one line of activity where he has functional specialization. This contributes to developing working efficiency of an enterprise.

5. Mass production: There is a provision of functional specialization and standardization in work in functional organizations. This contributes to developing working efficiency of both the executive and subordinate level members. The development of efficiency facilitates in maximizing productivity of the enterprise. Thus, an enterprise can be involved in mass production and distribution on the basis of requirement.

6. Facilitates growth and expansion: The functional organization structure provides preference for growth and expansion of business activities. It creates scope for the existing volume of business to grow and also for the expansion of various lines of business. Each and every executive is an expert in his own sector. The executives can handle their business in an effective manner in accordance with requirements.

7. Suitable for present environment: The functional organization structure is suitable for the management of large scale business enterprises in present day environment. The development of production volume, expansion of markets, customers, government regulation etc. create new and challenging environment in business activities. The completion of business operation under such environment requires the services of various areas. The functional organization fulfills such type of requirements for successful operation of business.

Figure 7.22 Advantages and Disadvantages of Functional Organization



Disadvantages of Functional Organization

The following are some points of disadvantages of functional organization:

1. Multiple command system: The lack of unity of command is the major limitation of functional organization structure. The subordinates are always in confusion to

obey orders because
possibility of divisio
Besides, there is m
functional specialist
works because of the

2. Lack of co-ordina
specialist. The depa
works. There is n
specialists. There is
may face serious p
static and narrow vi

3. High administrat
cost. In such an org
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impossible to minim
structure is not su
resources.

4. Delay in decisi
present day needs
there is no possibi
guidance from expe
more time to come
situations, may beco

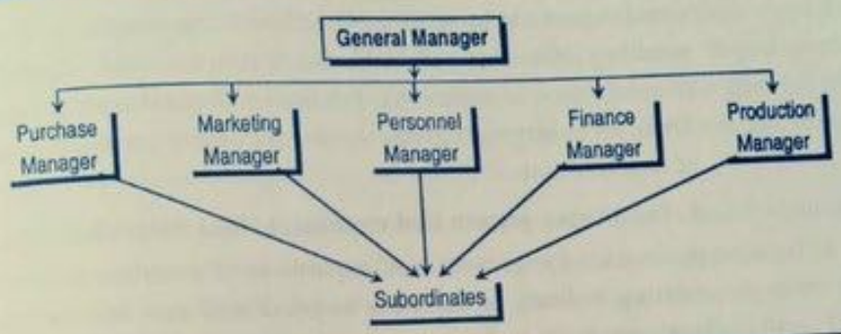
5. Spoils human re
mutual relation an
relationship betwe
relationship in the e
work under many e
from executives wh
discipline in a funct

6. Narrow outlook
creates problems i
enterprise. The de
functioning of their
relations with co-w
cooperate with each
executive has to fac
functional areas of t

7. Shifting responsi
or a subordinate is
command and ever
others. For instan

subordinates but also over all subordinates in all other functional departments of the enterprise. For instance, the marketing manager has functional authority over all subordinates of the enterprise when marketing matters are dealt with. The functional organization structure can be presented as follows:

Figure 7.21 Functional Organization Structure



Generally, in functional organization, functional specialists communicate with each other through the general manager. Here no functional specialist can provide direct instruction or suggestion to another functional specialist. The functional specialists interact with each other through the general manager or the chief executive of an enterprise.

Advantages of Functional Organization

The following are some points of advantages of functional organizations:

1. Benefits of specialists: The functional organization structure provides the benefit of functional specialization. Every manager is expert in his own field of knowledge. The expertise of every manager is beneficial to all the members as well as to the enterprise. Functional specialization leads to many advantages like best managerial decisions, minimizing cost of operation and increasing efficiency and productivity of the enterprise.

2. Increase efficiency: Each department of the enterprise is under the supervision of a functional specialist. The top-level management makes decisions by taking suggestions, advice and guidance from functional specialists. It helps in taking the right decisions. This leads to an increase in the working efficiency of both the managers and the subordinates. This facilitates maximization of productivity within minimum costs.

3. Healthy competition among experts: A functional organization structure gives importance to functional specialization. Here, the management makes the recruitment, selection, appointment and placement of the managers on the basis of their specialization. Besides, functional organization encourages healthy competition among functional experts. In the present day competitive business environment, every manager wants to demonstrate a better performance. This spirit of healthy competition brings out efficient executives.

instructions from their superior. There isn't any provision of upward communication from the lower level.

4. Problems of coordination: The top level management might face problems in maintaining coordination in the functions of various departments. In line organizations, various departments are autonomous and there is little communication with each other. Thus, due to lack of proper communication, all departments perform their functions in their own style. The responsibility of coordination falls on the heads of the top level managers.

5. Inefficiency: There is lack of provision of experts and specialists in decision making process. The top level management takes decisions without taking any suggestion and guidance from experts. In such a situation, the problem of imbalance in the managerial decisions may arise. The misjudgment of the management will be reason enough for the inefficiency in the organizational performance.

6. Lack of stability: Line organizations totally depend upon few executives. They perform all types of works of creative and innovative nature. The subordinate level employees have no knowledge and authority about their performance. So, there is lack of stability in enterprise performance.

7. Unsuitable in present day environment: The line organization is based on the traditional concept of management. Therefore, it is unsuitable for a large scale business enterprise having modern business activities. There is no provision of guidance and suggestion from experts and specialists for managerial decisions. There is minimum scope for explanation and growth of business activities. Therefore, it is not suitable for present day large scale enterprises which require innovative organizational structures.

FUNCTIONAL ORGANIZATION STRUCTURE

Functional organization structure is very much based on the philosophy of functional foremanship scheme

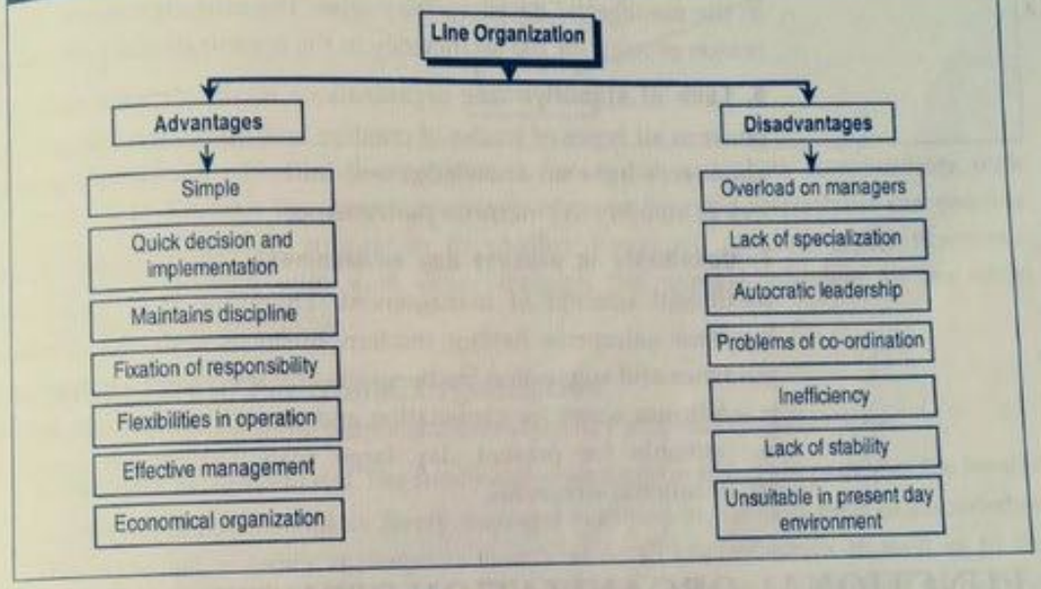
F.W. Taylor, the father of scientific management, initiated the concept of a functional organization under the scheme of functional foremanship. Functional organization structure is very much based on the philosophy of functional foremanship scheme. However, in practice, functional organization concept is limited only to the top level management and not implemented in the subordinate level.

In functional organization, all business activities of an enterprise are divided into a number of functions and each function is entrusted to a specialist. Each specialist to whom a function is entrusted, is known as functional specialist and authority delegated to each specialist is known as functional authority. For instance, business activities of an enterprise might be divided into various functions like production, marketing, finance, personnel, research and development, purchasing etc. In a similar manner, a particular function is entrusted to a functional specialist like the production function to the production manager, personnel function to the personnel manager, and so on. One of the main features of functional organization is that a functional manager can exercise functional authority not only over his own

6. Effective management: There is a chain of command and span of control in line organization structure. The top-level management can control the entire organization through hierarchy of authority. Every employee is responsible to his immediate supervisor. Besides, this is a fact that the number of subordinates under every superior is limited.

7. Economical: The line origination is economical in operation. It does not have a provision of experts and specialists to provide guidance to the top level management. Top level management takes decisions according to requirements without taking technical suggestions from experts.

Figure 7.20 Advantages and Disadvantages of Line Organization



Disadvantages of Line Organization

The following are the main points of disadvantages of line organization:

1. Overload on managers: In line organization, managers have to perform a wide range of functions. In other words, managers have to involve themselves in jobs of different nature. As such, they cannot devote sufficient time to creative functions. In a similar manner, they cannot devote their time to supervise the subordinates. This is one of the reasons why inefficiency is seen in line organizations.

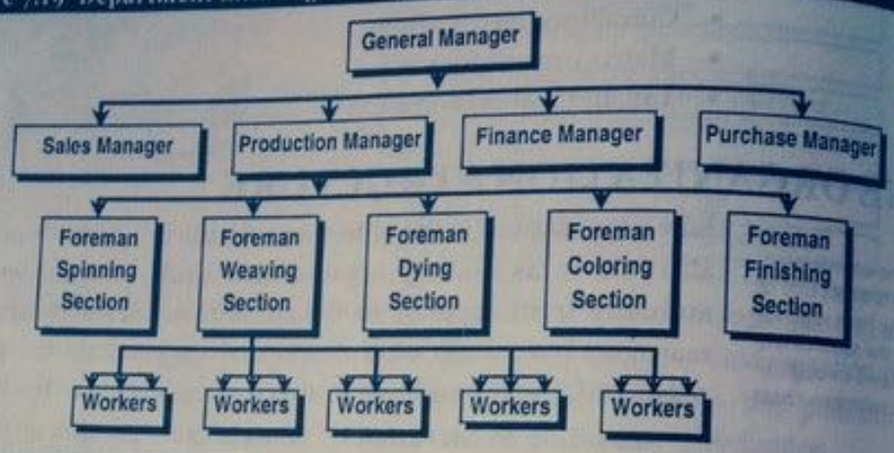
2. Lack of specialization: In line organizations, there is absolute lack of functional specialization. An employee has to involve in various types of works. Similarly, a manager has to look after various departments and functions at a time. Here is where the saying "Jack of all trades but master of none" fits in well. Therefore, the operating efficiency of line organizations is very low.

3. Autocratic leadership: The executive authority of the enterprise is concentrated on the top level management. Therefore, executives are willing to adopt a dictatorial approach. Subordinates have no freedom to do their job. They are bound to follow

In departmental line organization, business is divided into different departments on the basis of nature of work

2. Departmental line organization: Under this structure, the business is divided into different departments on the basis of nature of work. A department head is appointed in each department. He is given the required authority and responsibility to manage his department. For instance, the production department of a textile mill may be divided into different sections like spinning, weaving, dying coloring, finishing etc. Each section in charge has direct control over his section. He can manage his own section according to his knowledge and convenience. The organization structure of departmental line organization is as follows:

Figure 7.19 Department Line Organization Structure



Advantages of Line Organization

The following are the main advantages of line organization:

1. Simple: Line organization is simple to design, understand and operate. There is clear definition of authority-responsibility relationship of all the members. Every employee has the knowledge about authority and responsibility.

2. Quick decision and implementation: Each manager in line organization has an independent status and can take quick decisions within his authority. Quick decisions and their implementation help to get benefit of business opportunities.

3. Maintains discipline: In line organization, there is a chain of command from the top level to the subordinate level management. Every employee is responsible to his immediate superior. There is less probability of conflict. Hence, discipline can be maintained in a line organization.

4. Fixed of responsibility: Unity of command helps to fix the responsibility in line organization. No one can shift their responsibility to others nor can they avoid it. Every employee is responsible for the completion of the given work.

5. Flexibility: Line organization structure is adjustable according to the changing environment of the business. Thus, it permits flexibility in operation. Depending upon the requirement, more departmental managers can be added to the existing structure.

FORMS OF ORGANIZATIONAL STRUCTURE

Organizational structure is concerned with creating different departments and division of work. The development of a particular type of organizational structure defines the authority-responsibility relationship. The forms of organizational structure depend upon the nature and size of the enterprise. It may vary from enterprise to enterprise. The following are the common forms of organizational structure in many organizations.

- Line organization
- Functional organization
- Line and staff organization
- Committee organization
- Matrix organization
- Tall and Flat organization

LINE ORGANIZATION STRUCTURE

In line organization, there is direct line of authority from superior to the subordinate level through an unbroken chain

Line organization is the oldest and traditional form of organizational structure. It is also known as military organization. Under this structure, there is direct line of authority from superior to the subordinate level through an unbroken chain. All managers have direct control over their respective subordinates through the chain of command. Every employee is directly responsible to his immediate superior.

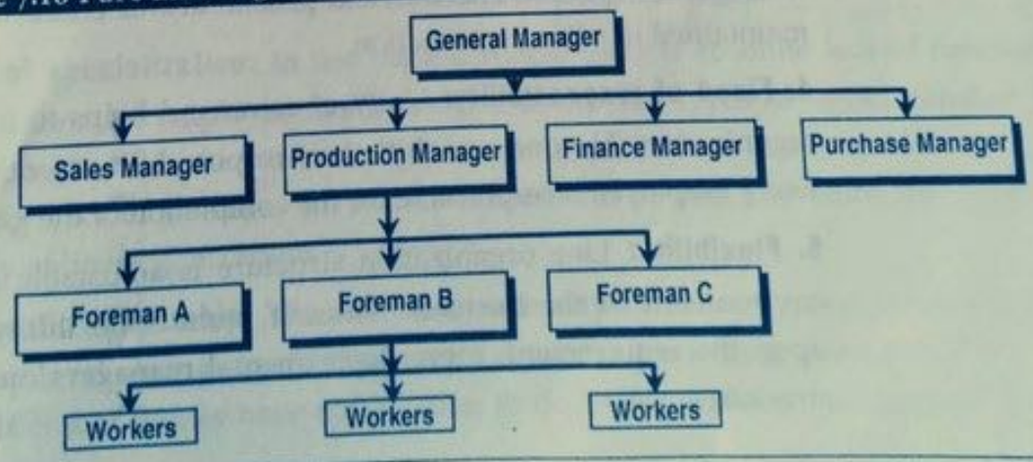
According to **McFarland**, *"Line structure consists of the direct vertical relationships, which connect the position and task of each level with those above and below it."*

This structure is common in small and medium scale organizations. Line organization may be classified into two: (i) Pure line organization and (ii) Department line organization.

In pure line organization, all the individuals perform the same type of work

1. Pure line organization: In pure line organization, all the individuals perform the same type of work. Line is divided into different groups for effective control and supervision. For instance, the production department of a spinning mill is divided into different groups and a supervisor is appointed for each group. However, all the employees of the production department perform the same type of work. The pure line organization structure can be presented as follows:

Figure 7.18 Pure Line Organization Structure



9. Efficiency: The efficiency of an organization is measured by its capability to achieve the predetermined objectives effectively and efficiently. For this purpose optimum utilization of available resources is most essential. Management has to make plan and develop strategy for better utilization of resources, including manpower. Therefore, an efficient organizational structure ensures optimum utilization of organizational resources.

10. Balance: There must be equal division of work among all departments and sections of an organization. There must be a balance between efficiency and effort. The works should be entrusted to a particular department on the basis of its capability. On the basis of nature of work, there must be appropriate blend of the concept of centralization and decentralization. The feeling of overemphasis to a particular department or person must be avoided.

11. Homogeneity: According to this principle every department should be assigned only homogeneous functions. It means functions of a similar nature and having the same objectives should be divided into one group. This helps to ensure unity of direction and co-ordination of efforts.

12. Continuity: Organizing is a continuous process up to the existence of the enterprise. Organizational structure should be reviewed and revised according to changing environment of the business. The organizational structure should be reviewed and modified according the demand of the situation.

13. Simplicity: This principle emphasizes that the management must design the simple organizational structure. It should be designed in such a manner that all the members of the organization can understand it easily. All members from top level to the subordinate level should understand their line of authority and responsibility. It provides a framework for better cooperation among all the members.

APPROACHES TO ORGANIZING

Various approaches have been developed for organizing. The common approaches to organizing are discussed below:

Classical Approach

The classical approach to organizing signifies traditionally accepted norms and systems. This approach focuses on efficiency and recommends that managers continually try to increase organizational efficiency to increase production. This approach includes the ideas of scientific management, administrative management and bureaucratic theory. All these three theories were propounded on almost similar assumption and the practical effort of all the three theories are basically the same.

The classical theory includes three different approaches to organizing, consisting of scientific management theory, administrative theory and bureaucratic theory

Scientific management theory is developed by F. W. Taylor and later on, several scholars expanded Taylor's idea. Notable among them are: Henry L Gantt, Frank and Lillian Gilberth, Harrington Emerson and William H. Leffingwell. Scientific management is an attitude and philosophy, which discards the traditional method

3. Co-ordination: Co-ordination is the essence of organizing. Every enterprise is established for a definite objective. For the accomplishment of the defined objectives, many departments are created and many persons are appointed. All the departments and persons involved in various activities have a common goal. Co-ordination among various departments and their activities is one of the parts of organizing. This principle facilitates to maintain harmonious working relation among departments and employees. It also integrates the efforts of all individuals of the enterprise.

4. Authority and responsibility: Authority and responsibility are two wheels of a cart. There must be balance between authority and responsibility. When a person is made responsible for a particular function, he should be given required authority to complete the work efficiently. Without proper authority, an employee cannot fulfill his responsibilities effectively. Likewise, sufficient authority to an employee without responsibility may result in the misuse of authority. Therefore, there must be a balance between authority and responsibility.

5. Unity of command: According to this principle, an employee should receive orders and instructions only from one superior at a time. When he is answerable to more than one superior at a time, he cannot fulfill his duties on time. He comes into confusion for taking priority of instruction of superiors. This may create conflict and misunderstanding among the authorities of the enterprise. Therefore, there must be unity of command in the enterprise.

6. Scalar chain: This principle implies the unbroken line of authority from top level to the lowest level of an enterprise. This principle clarifies the authority responsibilities relationship among superior and subordinates. It is the root of communication from top level to the lower level or vice-versa. It also promotes mutual understanding among superiors and subordinates. The chain of command must be clear and short for its effectiveness.

7. Span of control: This principle refers that there should be a limited number of subordinates so that their work can be effectively supervised. In fact, the number of subordinates that a supervisor can supervise depends upon the numbers of factors. The narrow span ensures close and effective supervision as there are limited number of subordinates under a supervisor. In the similar manner, a wide span makes simple supervision of subordinates. Therefore, depending upon nature and size of the enterprises, there must be manageable number of subordinates under a superior so as to make effective supervision.

8. Exception: This principle emphases that the top level management must concentrate only on exceptional and creative issues. These activities involve planning, policy making, setting long-term objectives and formulation of strategies. The repetitive and operational activities should be assigned to the subordinate levels. This is essential to optimize efficiency of both the top level and subordinate officials. The exception principle makes effective delegation of authority in accordance with responsibility.

which an enterprise can expand and grow its business. It helps to keep control upon various activities of the enterprise. Organizing creates more departments, wider span of management and provides better communication, which are necessary for growth and expansion of business.

9. Productivity and job satisfaction: Organizing creates good working environment in the enterprise. It creates such an environment where people can perform their job efficiently. Besides, it promotes efficiency development programs like training, workshop, seminar etc. This contributes to minimize wastage and misuse of resources.

PRINCIPLES OF ORGANIZING

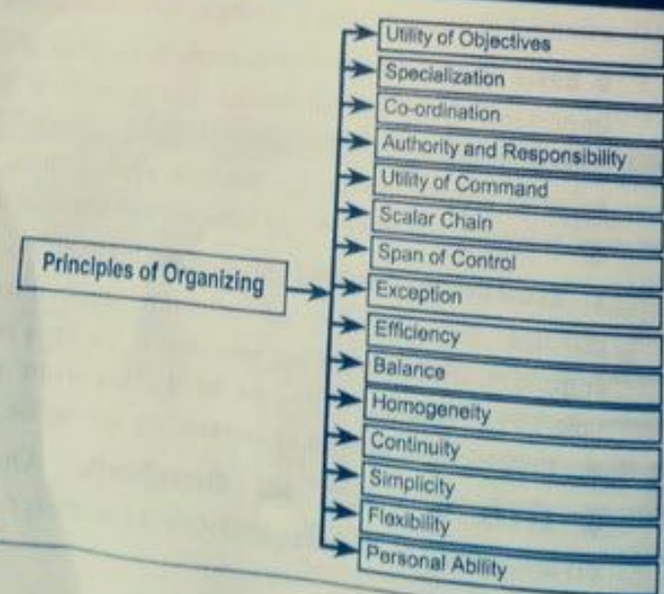
Organizing principles clarify the philosophy of organizing in a comprehensive way

Principles are the fundamental truth and system which are applied in the process of functioning. Organizing can be stated by keeping in view some basic principles. These principles clarify the philosophy of organizing in a comprehensive way. The major principles of organizing are discussed as follows:

1. Unity of objectives: This principle implies that the objectives of various departments and sections of the enterprise must be formulated in such a way that every individual can contribute his/her efforts for a single objective. For this purpose, common objectives of the enterprise should be defined first and then they should be divided into every department and section. This is essential to complete the work on time.

2. Specialization: As far as possible each individual of the enterprise should be given specific work on the basis of his ability. In such a situation, employee can concentrate in single work with greater efficiency. Repetitive functioning of a specific work builds-up confidence among the workers to complete the work within determined standard, time and cost. It is helpful to maintain and develop working efficiency and it also minimizes cost of output.

Figure 7.2: Principles of Organizing



1. Efficient and Effective Management: A good organizational structure is the first requirement of efficient management. It is the system through which a manager directs, controls and co-ordinates the business activities. Moreover, a sound organizational structure provides framework and foundation for effective management. The manager delegates authority and responsibility to subordinates on the basis of their skill and efficiency. It helps to avoid confusion and delay in works.

2. Facilitates specialization: A sound organizational structure helps to develop specialization among the workers. It takes care of division and subdivision of various types of work among manager and subordinates. This division and classification of work lead to develop specialization among the workers. The development of specialization helps to develop working efficiency of workers.

3. Avoids overlapping and duplication: Organizing helps to avoid overlap and duplication of efforts. In the process of arranging, it is divided into many departments, sections, and individuals. This helps to avoid duplication and overlap of activities and efforts. Therefore, the sound organizational structure leads to an economical, efficient and effective functioning of the enterprise.

4. Optimum use of human resources: Human resources are the main elements of an enterprise to mobilize other resources. A sound organizational structure ensures right person at the right job. Besides, it also helps to develop human talent and intelligence. It helps to match an individual with his job. For this purpose, it makes provision of promotion, training, workshop, supervision etc. to develop efficiency of the workers. The effective use of the human and other resources helps to minimize cost of output.

5. Defines authority responsibility relationship: A sound organizational structure clearly defines authority-responsibility relationship among all the members. Thus, the clarification of authority-responsibility relationship brings smoothness in organizational performance. It develops a feeling of self-responsibility among members. It also helps to develop mutual understanding among the members. It is essential to develop good working environment in the enterprise.

6. Basis of co-ordination: Organizing is the basis of co-ordination. It is known as the important means of coordination among various departments and persons of the enterprise. It defines formal relationship among various management levels and helps to ensure mutual co-operation among them. It develops the feeling of team spirit among the members to achieve common objectives.

7. Establishes channels of communication: A sound organizational structure clarifies the channels of communication through scalar chain. The clear communication among the members is the basis of effective completion of defined objectives. Besides, it is one of the important means to develop good human relationship and mutual understanding among the members.

8. Leads to growth and diversification: Organizing leads to growth and diversification of business activities of the enterprise. It provides a framework within

CONCEPT OF ORGANIZING

Concept Review
Organizing is the process of combining together all the organizational resources and establishing productive relations among them

Organizing is the second function of management. It is the process of combining together all the organizational resources and establishing productive relations among them to achieve predetermined objectives. The organizational resources involve money, materials, machines and manpower. It is the process of assigning activities among the individuals and defining their authority and responsibility. It also defines formal relationship among individuals so as to perform the work as one or single body for the achievement of common objectives. Therefore, organizing function involves a series of activities consisting of:

- Identification of specific activities.
- Grouping of activities into jobs.
- Assignment of jobs to formal groups.
- Establishing a network of authority and responsibility relationship.
- Providing framework for measurement, evaluation and control.

"Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationship for the process of enabling people to work most effectively together in accomplishing objectives." ➡ **Louis Allen**

"Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them." ➡ **Theo Haiman**

"Organizing is the process of arranging and allocating work, authority, and resources among an organization's members so that they can achieve organization's goals." ➡ **Stoner, Freeman and Gilbert**

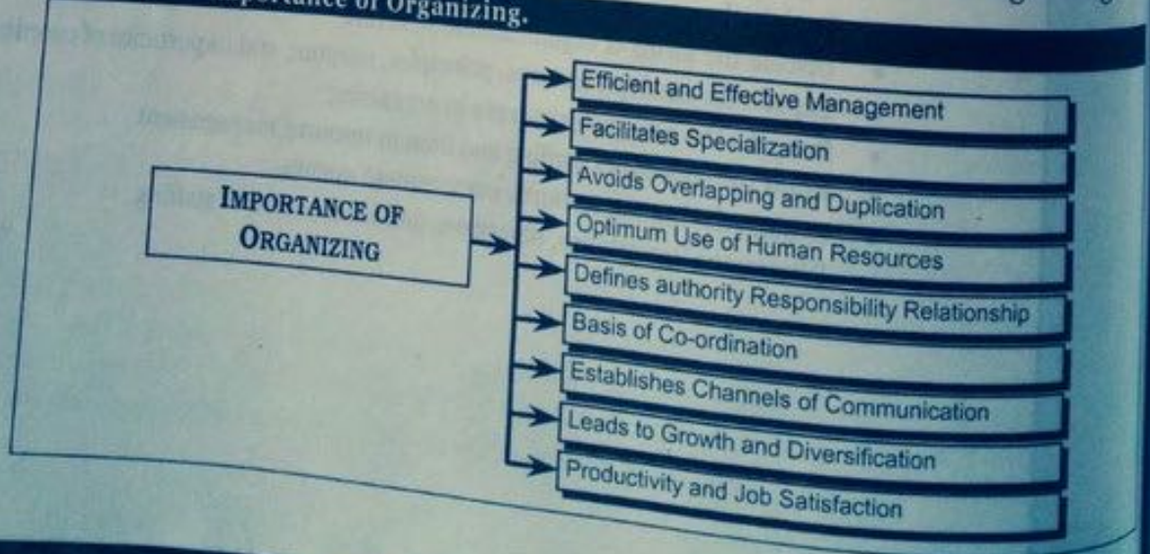
Therefore, organizing is the process of identifying the required activities, grouping them into jobs, assigning jobs to various position holders and creating a network of relationship among them so that organizational goal can be achieved.

IMPORTANCE OF ORGANIZING

A good organizational structure encourages the expansion, promotion and diversification of business

Organizing is one of the important functions of management. It is the process of defining and grouping the activities and establishing formal relationship among them. A good organizational structure encourages the expansion, promotion and diversification of business. The following are the major importance of organizing:

Figure 7.1 Importance of Organizing.



Administrative works involve peace and security, justice, senitation and general administrative works. Similarly, infrastructure development works consist of construction of bridges, expansion of roads, water sypply, communication network, electricity etc.

3. Service orgnizations: Service organizations are non-proft service oriented institutions. They are mainly involved in providing services to a specific segment or group of society. The clients are the primary beneficiaries of such organizations. Some of these organizations are governement hospitals, public schools and colleges, charitable institutions, religious and non-government organizations.

4. Professional organizations: These organizations are formed by a group of people to protect their professional right. The primary beneficiaries of such organisations are their members. The basic purpose of these organisations is to protect the interest and professional right of their members. Nepal University Teachers' Association, Nepal Bar Association, Chartered Accounts Association, labour unions, employees' unions etc are examples of professional organizations.

5. International organization: These organizations work in two or more countries. The member countries are the beneficiaries of such organizations. The main objective of these organizations is the uplift of the interests of member countries. They are established for specific objectives. They are involved in promoting trade and socio-cultural relations among the member countries and providing financial aid to them. World Bank, United Nations Development Program (UNDP), World Trade Organization (WTO), Southeast Asian Association for Regional Cooperation (SAARC) etc are some international organizations.

ORGANIZATIONAL GOALS

Concept of Organizational Goals

Goals are what organizations want to achieve in the future. Achievement of a goal is the destination of an organization

Goals are objectives or aims for which an organization has been formed. Setting goals of an organization is the initial function of management. Goals are what organizations want to achieve in the future. They are the objectives toward which organizations direct their resources and efforts. Goal achievement is the destination of an organization. Goals give meaning and purpose to the organization. They determine the scope of future activities and serve as reference points to concentrate resources and efforts. They determine the action to be taken at present to obtain results in the future.

On the basis of nature and scope of business, organizations may have several kinds of goals, all of which must be appropriately managed. Managers of different levels must be involved in the process of achieving the goals.

The terms mission, purpose, target, objectives and goals are used interchangeably in management literature. However, conceptually there are slight differences among these terms. *Mission* is a broad term and it represents the philosophy and ideology of top management. It focuses on the long-term goal of an organization, which is

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6. Perpetual existence: An organization is formed for an indefinite period. It performs its business for a long period of time. An organization continues its existence and operation even while changing its structure, membership, objectives and management. For this, flexibility and adjustment in the line of business in accordance with changing dynamic environment is essential. However, a static and unadjustable organization cannot exist for a long period of time.

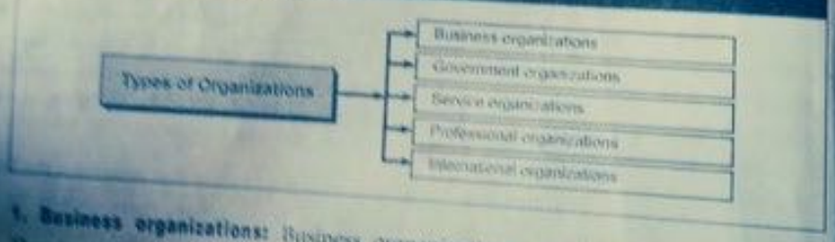
7. Environment: An organization performs its activities in a dynamic environment. It consumes resources from environment and also exports output to it. The survival and continuance of an organization is assessed in terms of how well it serves in the changing environment. Basically, impact of external environments like political, economic, socio-cultural and technology must be taken into consideration.

8. Technology: Technology refers to new knowledge, skill, ideas, procedures, equipment and tools. It is essential to convert raw materials into finished products. In an organization people use new technology to perform their activities. The use of appropriate technology in a job helps develop working efficiency and also helps minimize the cost of output.

TYPES OF ORGANIZATIONS

There are various types of organizations. An exact classification of these organizations is rather difficult. However, on the basis of nature of works and objectives, organizations may be classified as follows:

Figure 1.8 Types of Organizations.



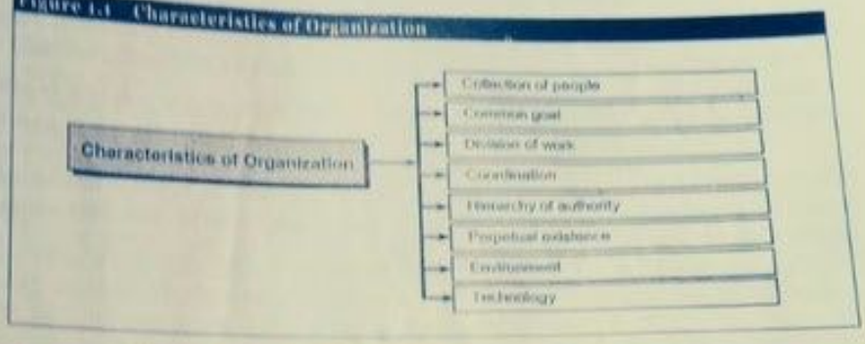
1. Business organizations: Business orgnanizations are profit making concerns. They involve production and distribution of goods and services. While industries are involved in production of goods and services, commercial concerns perform distribution functions. Business organizations may be sole trading concerns, partnership firms, joint stock companies and multinational companies. The owners and shareholdees are their primary beneficiaries.

2. Government organizatoins: Government organisations are autonomous institutions formed to perform public welfare activities. They consist of council of ministers, departments, operating level offices, constitutional bodies, development board, army, police etc. The general public is their primary beneficiary. Public welfare activities consist of administrative and infrastructure development work.

CHARACTERISTICS OF ORGANIZATION

The characteristics of organization are as follows:

Figure 1.1 : Characteristics of Organization



1. Collection of people: The concept of organization comes into existence when two or more people come together to accomplish a definite goal. Therefore, organization is a human association. In organization, people interact with each other to produce a synergic effect and develop a network to communicate information and to maintain unity in work.

2. Common goal: The basis of an organization is a specific goal. It serves as a reason of existence of an organization. All activities of members concentrate on the fulfillment of a common goal. It binds the members and motivates them to devote their effort in the best possible way.

3. Division of work: The total work is divided into small units on the basis of their nature in an organization. Each work is assigned to different individuals on the basis of their skills, ability and experience. This enables development of the concept of specialization among the individuals and also contributes to develop their working efficiency.

4. Coordination: Coordination is the process that integrates the functions of different units of an organization. In an organization, there should be good coordination among the departments and members through executive leadership. It is essential to achieve uniform progress of works in each unit. It helps minimize the duplication and overlap of effort.

5. Hierarchy of authority: Organization consists of a formal structure in which hierarchy of authority of each member is clearly defined. The hierarchy of authority is formed on the basis of degree of responsibility and accountability. It clarifies the role of each individual from top to the subordinate levels. Higher level job needs more skill, experience and responsibility. A chain of command is implemented to see the progress of work of respective subordinates.

MEANING OF ORGANIZATION

Concept Review
Organization is an association of two or more individuals formed to achieve common goals

Organization is an association of two or more individuals working together in a coordinated manner to achieve common goals. An organization is a collection of people working together in a division of labor to achieve a common purpose. When people decide to accomplish any work or job they need to form an organization. Organization is a social aspect and an essential part of human life. The concept of organization has been developed from the very beginning of human civilization when they started to live in groups. Therefore, family is the beginning form of organization. Nowadays, people form different types of organizations on the basis of their goals consisting of business, social, political, religious, clubs and so on.

In fact, a job that cannot be performed by a single person can be performed effectively in a group. People used to join organizations when they could not perform the job solely in an effective manner. Therefore, people form an organization on the basis of their common goals, make division of works on the basis of efficiency, delegate authority and responsibility, maintain communication among them and coordinate the activities among all the members. Organization promotes collaboration and negotiation among individuals in a group and improves the effectiveness and efficiency of communication among them.

"Organization is a system of consciously coordinated activities or forces of two or more persons".

➡ **Chester. I. Barnard**

"Organization is a group of two or more people who work together in a structured setting to achieve common goal."

➡ **Gene Burton**

"An organization is a collection of interacting and interdependent individuals who work toward common goals whose relationships are determined according to a certain structure."

➡ **W. J. Duncan**

"Organization is any group of individuals, large or small, that is operating under the direction of executive leadership in accomplishment of certain common objective."

➡ **Keith Davis**

"Organization is a systematic arrangement of people brought together to accomplish some specific purpose."

➡ **Decenzo and Robbins**

"An organization is a cooperative social system involving the coordinated efforts of two or more people pursuing a shared purpose."

➡ **Robert R. Kreitner**

From the above definitions we may conclude that organizations have a structured setting where people work together to achieve common goals. There should be a clear definition of authority and responsibility among the members. Depending upon the size, organizations have complexity in structure and in division of responsibility and authority. They work in dynamic environment and apply technology to convert inputs into output.

a successful manager only if s/he is able to influence the attitude and behavior of the subordinates.

4. **Communication:** Communication is the process of transmitting ideas and information from one person to another. It is an exchange of facts, opinions, ideas, and views among two or more persons. Communication is said to be effective when the message is clear. Effective communication system among all mechanisms of an organization is essential for successful operation. There must be an effective communication system for direct and clear follow of information on various management levels.

5. **Coordination:** Coordination is the process of integrating all the units and departments of an organization. It is the process of orderly arrangement of group efforts to provide unity of action for the attainment of common goals. Different departments and people perform different functions in an organization. But the activities of different departments are interrelated to each other. Therefore, coordination among all departments is necessary to bring uniformity in action to achieve organizational goals.

E. Controlling

Controlling is the process of comparing actual performance achieved with that of planed performance and taking corrective action if any deviation is there in actual performance so that defined goals can be achieved in defined time

Controlling is the process of setting a standard, measuring performance, comparing actual performance with that of planned performance and taking corrective action. It is a main instrument with which uniformity in action is maintained. Taking corrective action is necessary if actual performance is not in accordance with the planned performance.

The management executes a plan through control to ensure the achievement of predetermined goals. Therefore, it is essential to have a good controlling system for achieving results according to the plan. Controlling includes:

- Setting standards
- Measuring actual performance
- Identifying deviation, if any, between actual and planned performance.
- Analyzing the causes of deviation.
- Taking corrective action to achieve predetermined goals.

MANAGERIAL HIERARCHY AND LEVELS

The division of an organization into different departments on the basis of nature of functions and appointment of managers of different levels to maintain unity of command is managerial hierarchy

The term managerial hierarchy refers to the arrangement of managerial positions in an organization. The concept of division of managerial hierarchy into different levels was brought into practice to divide the authority and responsibility into various levels. It is essential to perform organizational jobs in a systematic way. For this, management hierarchy is divided into different levels and in each level a manager or head is appointed. They are responsible for all the activities of the department concerned or section for which they are appointed. The common managerial hierarchies practiced in different organizations are as follows:

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- Identifying major activities
- Grouping them into managerial units
- Assigning jobs to different departments and employees
- Delegating necessary authority to fulfill given responsibility

C. Staffing

Staffing is concerned with recruitment, selection, appointment and placement of right person to the right job. Staffing is the life-blood of an enterprise which mobilizes all other resources for the achievement of common goals. It also involves determining the size of manpower at different levels. Staffing is the continuous process for the continuous existence of an organization. Staffing includes:

- Determining the total manpower requirement.
- Recruitment, selection and appointment of right person to the right job.
- Organizing seminar, workshop and training to develop employees' skill.
- Performance evaluation, promotion and transfer of employees.
- Remunerating employees according to their skill and ability.

D. Directing

Direction is a complex function that includes all those activities which are designed to encourage a subordinate to work effectively and efficiently. It is concerned with instructing, guiding and inspiring subordinates to achieve organizational objectives. Direction is the instrument to develop a better working environment in the organization. The direction function of management includes:

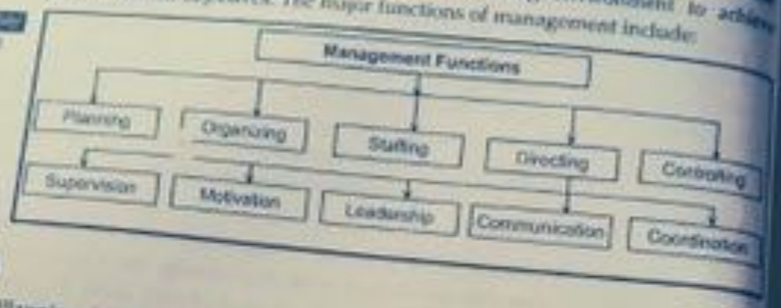
1. **Supervision:** Supervision refers to the direct and immediate guidance to the subordinates to ensure the execution of assigned works. The main motive of supervision is to ensure optimum utilization of human and physical resources so as to achieve organizational objectives. For this, a supervisor has to guide subordinates so that the latter can perform their work effectively. It is a continuous process until the existence of an organization.
2. **Motivation:** Motivation is a psychological and human aspect. It is the process of stimulating subordinates to achieve predetermined goals. It is based on need and human behavior. As a social being, workers want to fulfill their basic and social needs. They might be motivated both from financial and non-financial incentives.
3. **Leadership:** Leadership is the art of influencing the behavior and performance of the subordinates. It is the ability to persuade others to work willingly to achieve the desired goal. A person is said to be a leader when he is able to influence others and they accept his guidance, suggestions and directions. A manager is said to be a leader of the organization. S/he will be

Managers have to attain organizational objectives through group effort. [illegible] suggests two concepts to the managers: firstly, the concept of divide and [illegible] must be avoided and secondly, emphasis must be given on unity of command and oral communication among the workers to improve human relations.

PROCESS AND FUNCTION OF MANAGEMENT

Managerial function includes all managerial activities from setting objectives to taking essential steps to ensure and achieve organizational objectives. These functions are essential to create a better working environment to achieve predetermined objectives. The major functions of management include:

FIGURE 1.4 Management Functions



A. Planning

Planning is deciding in advance what is to be done and mentioned course of action to be taken to achieve predetermined goals in time.

Planning is the primary function of management. It involves selecting the objectives, policies, procedures and program to achieve a desired result. It is the process of thinking before doing anything. It is a mental exercise and requires intelligence, skill, imagination and vision. Planning gives solution to various problems, which may arise in course of functioning. It minimizes future uncertainties and risk. It saves time, effort and cost of the organization. Planning:

- Setting organizational objectives.
- Forecasting the events.
- Formulating policies and procedures.
- Preparing work schedules and budget.

B. Organizing

Organizing is the process of identification of major activities, grouping them into units, assignment of work to staff and delegation of authority.

Organizing is the process of identifying the major activities, grouping them into jobs according to nature and assigning the jobs to different departments and individuals. It is concerned with developing the structure and framework and arranging required resources to perform required activities. Resources include human, financial, physical and information. It defines the authority relationship among the organizational members. Therefore, organizing is the root or base of an enterprise. It is the framework where all mechanisms involved in achieving common objective is clarified. The major activity of organizing includes:

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where the range of activities is limited, centralization is preferred whereas in large organization decentralization is preferred.

9. **Scalar chain:** The scalar chain refers to the unbroken line of authority from top to bottom in hierarchy. This principle is important for systematic and orderly communication in an organization. Every information is communicated through successive chain either from top to bottom or vice versa. According to Fayol, the scalar chain must be strictly followed, except in emergencies. Fayol has suggested the concept of 'Gang Plank' to avoid delay in communication among the same level of employees.

10. **Order:** This principle is concerned with the systematic arrangement of materials and people. Fayol has classified order into two types: material order and social order. The placement of material, machines and other physical things in proper place and quantity is material order and placement of right person to the right job is called social order. The material order emphasizes that all physical resources necessary for proper functioning must be available at the right place at the right time. Similarly, social order emphasizes that all necessary members must be available on the proper place. This principle is essential to minimize the wastage of time and resources.

11. **Equity:** This principle is concerned with kindness and justice to all the employees working in an organization. The management has to realize that loyalty and devotion can be extracted from the members only through kindness and justice. This is helpful in developing a feeling of responsibility among the employees. Therefore, management has to avoid the concept of favoritism and partiality among the employees.

12. **Stability of Tenure:** According to this principle, employees must have a feeling of security of their job to continue the work efficiently. Instability of employees is the cause of poor management. The stability of employees helps to develop experience and efficiency. The feeling of job insecurity among the employees creates problems of high labor turnover, increased cost of selection, training, supervision.

13. **Initiative:** According to this principle, every employee should be given reliable freedom to exercise judgment in formulation and execution of plans. Employees do not expect any kind of interruption or guideline from superiors for minor technical work. They want to fulfill their responsibility in their own risk and knowledge. Freedom provides a sense of self-motivation among the employees and makes them more dedicated and loyal towards the organization.

14. **Esprit De Corps:** Esprit De Corps is a proverb that means union is strength. It is possible only through harmony and mutual understanding among the workers. According to this principle, the manger has to take necessary steps to promote team spirit and develop a feeling of harmony among each other.

subordinates, responsibility is the obligation to be fulfilled by the subordinates. This principle emphasizes on the balance between authority and responsibility. Authority without responsibility can make a person irresponsible and there is possibility of misuse of power. Similarly, responsibility without proper authority makes a person ineffective.

3. **Discipline:** Discipline means obedience to superiors and their guidelines. It is also concerned with following the rules, regulations and procedures of an organization. This principle is applicable to managers and subordinates alike because all are within the rules of the organizations. Discipline is a must for the development of a feeling of self-responsibility among the members. The manager has to maintain disciplined environment in the organization.

4. **Unity of command:** According to this principle every workers/subordinate must get orders and instructions only from one superior at a time. It means a subordinate should be accountable to a single superior at a time. This principle is essential to fix the responsibility and avoid confusion. For instance, when a subordinate receives orders and instructions from more than one superior at a time, he will get confused. In such a situation, he cannot fulfill his responsibilities efficiently and may commit mistakes.

5. **Unity of direction:** Unity of direction implies that there should be one head and one plan for a group of activities having a common objective. There must be one plan for common work and one in-charge to coordinate all the members of the unit. Unity of direction is essential to maintain unity in action or operation.

6. **Subordination of individual interest to general interest:** Individual interest means fulfillment of employees' objectives, while general interest means the fulfillment of organizational objectives. This principle concentrates on the basic management philosophy that individual objectives of employees are subordinate to the common objectives because achievement of group objectives in the long run helps to fulfill individual objectives. Hence, it is essential to reconcile individual objectives with that of group objectives.

7. **Remuneration of personnel:** It is the reward paid to the employees for their contribution. The remuneration should be acceptable both to the management and the employees. Wages should be determined by considering both employees' responsibilities, cost of living and financial condition of the organization. Basic wage should be fixed, besides, there should be a provision of monetary and non monetary incentives.

8. **Centralization and Decentralization:** Centralization is the retention of decision making authority at the top level management. On the other hand, decentralization is the systematic division of decision making authority from top to bottom in a hierarchy. Maintaining centralization or decentralization depends upon the nature and size of the organizations and also the knowledge and capability of subordinates. Generally, in small organizations

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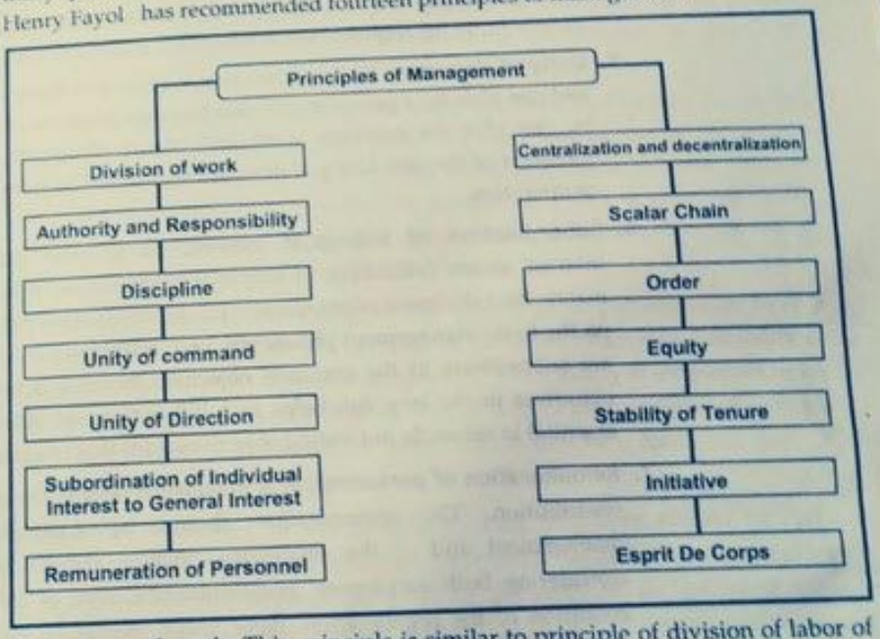
8. **A profession:** Profession involves the specific type of work, followed by special knowledge and education. With the development of joint stock companies and multinational companies the ownership and management has been different. Management of huge organizations has been entrusted in the hands of professionals having specific skill and knowledge.
9. **Multi-disciplinary in nature:** Management is multi-disciplinary in nature. Many of the principles and techniques used in management are borrowed from a number of other disciplines like psychology, sociology, economics, and mathematics.

PRINCIPLES OF MANAGEMENT

The practice of management is based on specific disciplines which are known as principles of management. Management principles are the facts and truths gained through observation and experiment. Many Scholars have introduced many principles in different times through their research and investigation. Henry Fayol has recommended fourteen principles of management.

FIGURE 1.3 PRINCIPLES OF MANAGEMENT

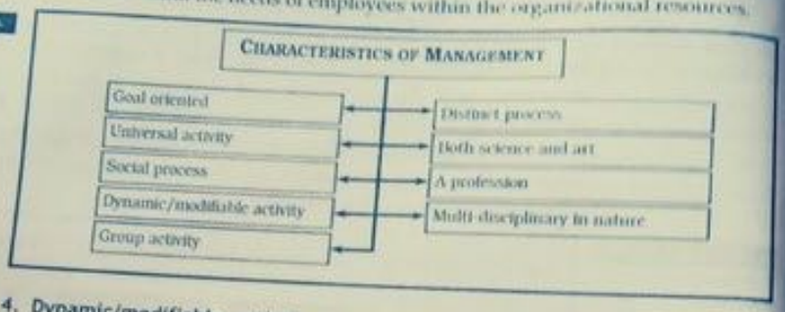


1. **Division of work:** This principle is similar to principle of division of labor of Adam smith, the famous economist. According to this principle, every employee in an organization must be assigned only a specific type of work to increase efficiency. The development of specialization ensures simplicity and accuracy in performance.
2. **Authority and responsibility:** Authority and responsibility are two interrelated terms in management. While authority is the power and right inherent in a managerial position through which a manager commands

2. **Universal activity:** Management is essential where there is human activity. It is necessary in all types of organizations. The process of management may be different from organization to organization and place to place but the basic principles of management are the same. Thus, it can be said that the management principles are universally applicable.

3. **Social process:** Management is a part of social process. Management achieves its objectives by, with, and through the people. It utilizes human resources for the achievement of organizational goals. Management has to consider not only the organizational objectives but also the social objectives. It has to fulfill the needs of employees within the organizational resources.

FIGURE 1.2 CHARACTERISTICS OF MANAGEMENT



4. **Dynamic/modifiable activity:** Management is a dynamic and continuous process. The management system of today may not be applicable or effective for tomorrow. Therefore, management must be dynamic and flexible with the changing environment of the society. Management has to modify its style according to the time and situation. This flexibility is essential for an organization to adjust with the changing environment of the business.

5. **Group activity:** The concept of management is not applicable if there is only one person or proprietor. It represents a team, class or section of people involved in various managerial functions. It is essential if there is a group of people involved in performing any activity to achieve common goals. Management defines the authority, responsibility and procedures to perform specific work.

6. **Distinct process:** Management as a process involves various types of functions. One function of management is interrelated with another function. The management clearly defines the specific process of work to achieve a predetermined goal. It does not consider the trial and error approach.

7. **Both science and art:** Science is a systematized body of knowledge, principle or truth that is experimentally proved. Similarly, art is the personal skill and ability to apply the scientific principles. Management is both science and art. It is a science because it is based on some basic principles of universal application. It is also an art because skill and ability is required for performing managerial functions.

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f operation. In almost all these cases
are the causes of the failure. The cost
uals and to the nation's economic
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process of designing and
ng together, in groups,

planning, coordinating,
objective."

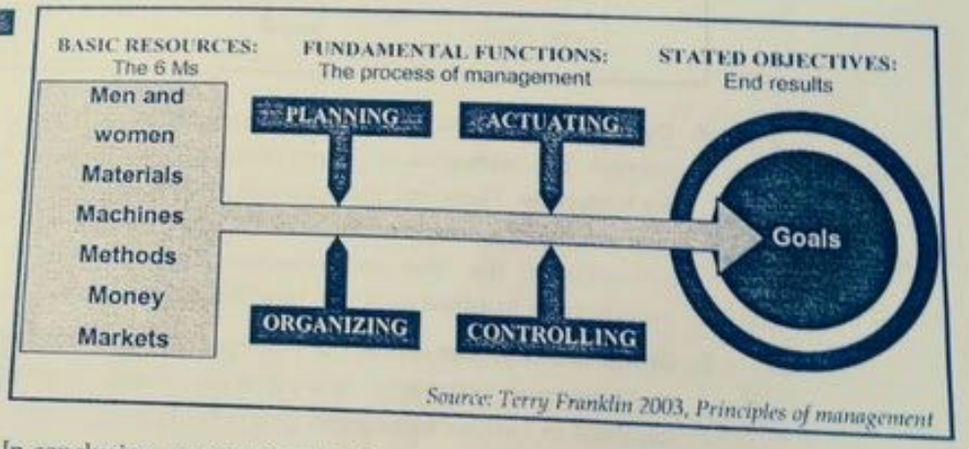
George R. Terry & Stephen G. Franklin– *"Management is a distinct process consisting of activities of planning, organizing, actuating and controlling performed to determine and accomplish stated objectives with the use of human beings and others resources."*

Ricky W. Griffin– *"Management is a set of activities (including planning and decision making, organizing, leading and controlling) directed at an organization's resources (human, financial, physical and information) with the aim of achieving organizational goal in an efficient and effective manner."*

Ivancevich, Donnely & Gibson– *"Management is the process undertaken by one or more persons to coordinate the activities of other persons to achieve result not attainable by anyone person acting alone."*

Most definitions of management do share a common idea- Management is concerned, with the accomplishment of organizational objectives through the efforts of other people. Thus, management may be defined as the process of planning, organizing, influencing/directing and controlling to accomplish organizational goals through the coordinated use of human and other resources as shown in the following figure.

FIGURE 1.1
DEFINITIONS OF MANAGEMENT



Source: Terry Franklin 2003, Principles of management

In conclusion, management is the process by which managers direct and control other people to concentrate and balance their efforts for efficiently accomplishing predetermined goals within the prevailing environment.

CHARACTERISTICS OF MANAGEMENT

The following are the major characteristics (features) of management:

1. **Goal oriented:** Every organization is established for a specific objective. Management is an instrument or system that contributes for the efficient use of human and other resources to achieve predetermined objectives. The main objective of management is to maximize productivity with optimum use of human effort.

CONCEPT OF MANAGEMENT

■ CONCEPT REVIEW
Management is the process of getting things done through others with the help of some basic activities like planning, organizing, directing, coordinating and controlling

Many business fail in the first few years of operation. In almost all these cases managerial incompetence and inexperience are the causes of the failure. The cost of poor management is great to individuals and to the nation's economic stability. Not only are financial and physical resources wasted when business fails, but individuals often suffer from psychological damage. Clearly, business failure can be avoided through good management practices; a reason why management is a subject of increasing importance.

The national economy comprises both large and small organizations. In these organizations, people work together to accomplish goals that are too complex or large in number to be achieved by a single individual. Throughout life, people have to contact with a variety of organizations- such as hospitals, banks, schools, businesses, college, universities, and many government agencies. The most significant factor in determining the quality of performance and success of such organizations is the success of its management.

Why are some managers successful, while others are not? This question requires a completed answer; we should examine a variety of factors that influence managerial success. For now, we may simply say that successful managers are those who are able to carry out effectively the basic functions of management. We should also note that successful managers foster the cooperation and goodwill of others inside and outside the organization. Managers must work through others to achieve success.

All activities performed by the manager to get things done through others are known as management. In other words management is to manage human and other resources tactfully for the achievement of organizational goals. It is universal in all organized activities. It is an exercise of harmonizing men, money, machines, materials and methods towards fulfilling the defined objectives. People associated with an organization should co-ordinate and support each other to devote their efforts in achieving organizational goals.

There are as many definitions of management as there are books on the subject; some of them are as follows:

Koontz O Donnel– *"Management is the art of getting things done through and with people in formally organized groups".*

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

James L Lundy– *"Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective."*

1. Concept and Meaning of Motivation

Motivation is one of the important functions of human resource management. It is essential to increase overall efficiency of human beings to improve performance of an organization. While machines, processes, technology of high order can be made available to the individuals, but high productivity can only be achieved if employees are highly skilled and adequately motivated[1].

"Motivation" is a Latin word, meaning "to move". Human motives are internalized goals within individuals. Motivation may be defined as those forces that cause people to behave in certain ways. It encompasses all those pressures and influences that trigger, channel, and sustain human behaviour. Most successful managers have learned to understand the concept of human motivation and are able to use that understanding to achieve higher standards of subordinate work performance. Motivation is inspiring the subordinates to contribute with zeal and enthusiasm towards organizational goal (see figure 6.1).

Figure 6.1: Process of Motivation

A manager gets work done through others. Getting the work done depends mainly on whether a person has been motivated to do it. Motivating an employee is to create a need and a desire on the part of employee to better his performance. This can be done by creating in him a sense of responsibility and feeling of special interest in his work. Motivation concern itself with 'will to work'. It is a behavioural concept by which a manager tries to understand why people behave as they do.

David A. Decenzo and S. P. Robbins - "Motivation is an individual willingness to exert effort to achieve the organization's goals, conditioned by this effort's ability to satisfy individual needs."

Richard Steers - "Motivation energizes, directs, and sustains human behaviour, a force that causes people to behave in certain ways and that is goal directed."

Fred Luthans - "Motivation is a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive."

Koontz and Weihrich - "Motivation is to do those things which satisfy drives and desires and induce the subordinate to act in a desired manner."

Dale S. Beach - "Motivation can be defined as a willingness to expend energy to achieve a goal or reward."

D. E. Mcfarland - "Motivation refers to the way in which urges, drives, desires, aspiration, and strivings or needs direct, control or explain the behaviour of human beings."

Carol Shartle - "Motivation is a reported urge or tension to move in a given direction or to achieve a certain goal."

Robert Dubbin - "Motivation is the complex of forces starting and keeping a person at work in an organization."

C.B. Mamoria - "Motivation as a willingness to expand energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people."

Thus, motivation is the process of channeling a person's inner drives and that he wants to accomplish the goals of the organization. It is associated with the willingness to work. It seeks to know the motives for work and tries to find out the ways and means whereby self-realization can be helped and encouraged.

Motivation is a willingness to expend energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning desire for action among the human beings of an organization. Managers, by definition, are required to work with and through people, so they must gain at least some understanding of the forces that will motivate the people they are to manage. People are complex and they are uniquely different. What motivates one person may not motivate another. Hence, motivation is the act of stimulating things to get a desired course of action.

2. Nature and Characteristics of Motivation

Psychologists generally agree that all behaviour is motivated, and that people have reasons for doing the things they do or for behaving in the manner that they do. Motivating is the work a manager performs to inspire, encourage and impel people to take required action. The nature and characteristics of motivation are as follows:

1. **Continuous Process**

   Motivation is a continuous process. Since need is a continuous phenomenon if one need is satisfied the other need emerges and so does individual drives to work and thus the continuous chain is created. Motivation, therefore, is not a time-bound process. In the work place, employees need to be motivated as long as they are in employment.

2. **Psychological Aspect**

   Motivation is a psychological phenomenon. It is the inner desire of an individual to accomplish something more. It forces him to undertake certain amount of work. More is the individual motivated better the performance and organizational relations.

3. **Whole Person**

   Motivation is concerned with individual. The total individual is motivated, not the parts of individual. It means that a person cannot be motivated in installments. An employee will not be motivated if some of his needs are partly satisfied. For example if an employee awaits a transfer to his native place and is also due to get his promotion, he will not feel motivated if only one of the benefits is sanctioned. It is, therefore, the duty of the employer to grant any benefit to his employees fully as and when it is due.

4. **Positive and Negative**

   Many people think that the method of motivation should always be positive. It may even be negative. The method is positive if it is in the form of higher pay, greater authority, better designation etc.

   Negative or fear motivation is based on force and fear. Fear causes persons to act in a certain way because they are afraid of the consequences if they don't. The method of motivation is negative in the following cases:

   - Issue of Memo to a worker showing negligence.

- Placing a worker who is avoiding duties under suspension
- Pay-cut.
- Imposing fines or penalties for violating rules and regulations in the work place etc.

Complex and Unpredictable

Motivation is complex. It is difficult to explain and predict the behaviour of employees because it is not observable phenomenon.

Goal-oriented

Goal is anything which will alleviate or lighten a need and reduce a drive. Motivation is goal-oriented. It leads to action of employees. It involves efforts to achieve certain goals.

Behaviour

Motivation directly influences the behaviour of employees towards the attainment of organizational goals. Feeling of needs creates tension in the mind and transforms itself into want as per the environment. It facilitates to show the particular behaviour to the employees.

Related to Human Beings

Motivation is related to human beings. Only human beings or human resources can be motivated to work. Employee's basic needs are determined and cannot be separated from each other. The employee is motivated by arousing and satisfying his needs.

3. Process of Motivation

Motivation process is simply defined as an individual's willingness to exert effort to achieve the organizational goals, conditioned by this effort's ability to satisfy individual needs. The process of motivation is presented in the following figure:

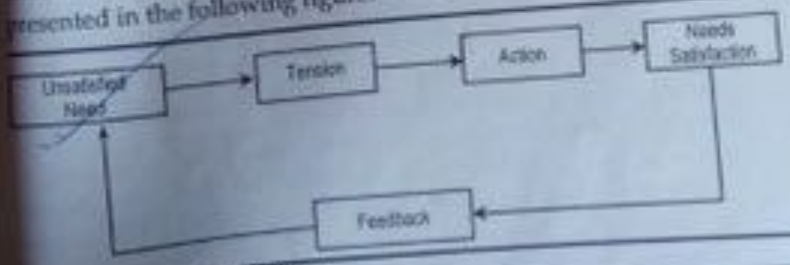


Figure 6.2: Process of Motivation

1. **Unsatisfied Need**

   Unsatisfied need is a state of having unfulfilled needs which create tension. The process of motivation begins with an unsatisfied needs, which are anything that employee want and do not have.

2. **Tension**

   In common usages, the work tension has a negative connotation. But some tension is absolutely necessary. For motivation to occur, we must have functional tension. This is what gives us the energy to perform.

3. **Action**

   Action refers to the outward action of individuals directed towards some goal. These actions are performed so that the required goals can be achieved.

4. **Need Satisfaction**

   It is by satisfaction of needs. It can be through reward and punishment. This achieves goals.

5. **Feedback**

   Feedback indicates how well the goal is achieved and needs are satisfied.

4. Types of Motivation

Motivation can be classified on several bases. They are as follows:

A. On the basis of Approach

On the basis of approach, motivation can be classified as positive and negative.

1. **Positive Motivation:** Positive motivation implies creation of an environment in which people can satisfy their needs and aspirations. Under it rewards and incentives are offered to inspire employees. All necessary facilities are provided to workers. They are offered prizes and awards for best performance. Positive motivation removes the psychological barrier and develops a sense of affiliation

2. **Negative Motivation:** Negative motivation involves creating a sense of fear or unhelpful environment. Workers who do not perform well are penalized. There is a cut in their facilities and remuneration. Demotion and layoff are other punitive measures which the workers have to suffer in case their

performance does not come up to the desired level. Negative motivation creates detachment between the individuals and the organization and lack of integrity to the purpose. Negative motivation is based on pessimistic view which holds that only fear of punishment will force employees to improve their performance.

On the basis of the Nature of Reward Used

On the basis of the nature of reward used, motivation may be extrinsic or intrinsic.

Extrinsic Motivation: Extrinsic motivators do not occur on the job but around the job. These factors include pay allowances, bonus, and fringe benefits. Extrinsic reward may be direct which are linked with performance and indirect compensation like free housing, conveyance, medical facilities, etc. Generally direct compensation is more effective motivator.

Intrinsic Motivation: Intrinsic motivation occurs on the job and provides satisfaction while the job is being performed. Intrinsic or internal motivators include status, authority, participation, challenging task etc., variety of work, freedom for discretion, greater responsibility opportunity for advancement are also intrinsic rewards.

On the basis of the Type of Incentives Used

On the basis of the type of incentives used, motivation may be financial or non-financial.

Financial Motivation: Financial motivation implies use of monetary benefits to inspire employees. Financial incentives include wages and salaries, bonus, fringe benefits, retirement benefits, etc., Money plays an important role in motivation. Money helps to satisfy physiological and security needs of workers. Money is also useful in satisfying social needs to some extent because money is often recognized as a symbol of power, prestige and status.

Non-financial Motivation: Non-financial motivators are not associated with monetary rewards. These include recognition of work done, greater involvement in decision-making, responsibility, challenging job, etc. Praise, competition, knowledge of results, suggestion system, and opportunity for growth are other important non-financial motivators.

D. On the basis of Individuals and Group

On the basis of the type of individual, motivation may be individual or group.

1. **Individual Motivation:** This type of motivation is provided to individual employee who performs better than others. It consists of recognition, opportunity for training and development, token of love, praise, prize, award, appreciation, etc. For example, Golden Boot for highest scorer in World Cup Football.
2. **Group Motivation:** This type of motivation is provided to group that do better performance than other group. It is provided for better role in an organization. For example departmental reward, team bonuses, etc.

Have a Look: Some Examples of Positive Motivation	
Financial Incentives	**Non-Financial Incentives**
• Salary and wages increments	• Promotion
• Bonus/incentives	• Autonomy
• Retirement benefits	• Advancement opportunity
• Profit sharing schemes	• Recognition
• Cash awards	• Challenging work
• Pay leave	• Participation in decision-making

Have a Look: Some Examples of Negative Motivation	
Financial Disincentives	**Non-Financial Disincentives**
• Pay cuts	• Demotion
• Fines	• Threat of dismissal from job
• Penalties	• Group rejection
• Refund of money	• Transfer to remote area

5. Importance of Motivation

A manager's primary task is to motivate others to perform the tasks of the organization. Therefore, the manager must find the keys to get employees to come to work regularly and on time, to work hard, and to make positive contributions towards the effective and efficient achievement of organizational objectives. Motivation is an effective instrument in the hands of a manager for inspiring the workforce and creating confidence in it. By motivating the workforce, management

...'will to work' which is necessary for the achievement of ...organizational goals. The various importance or benefits of ...motivation are as follows:

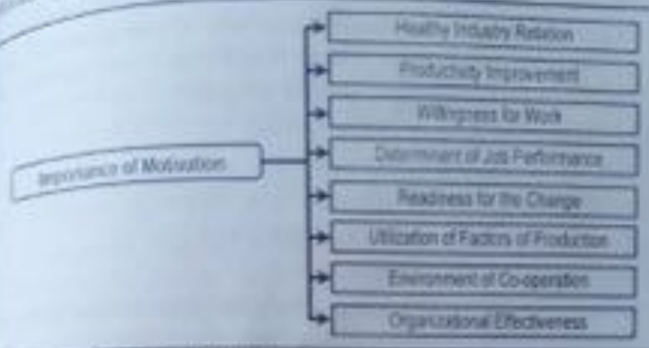


Figure 6.3: Importance of Motivation

1. **Healthy Industrial Relation**

Motivation contributes to good industrial relations in the organization. When the employees are motivated, contented and disciplined, the frictions between the employees and the management will be reduced.

2. **Productivity Improvement**

Motivation facilitates the maximum utilization of all factors of production, human, physical and financial resources and thereby contributes to productivity improvement. The productivity and motivation are directly related. So, motivation helps to increase the production and the productivity.

3. **Willingness for Work**

For performing any tasks, two things are necessary. They are: (a) ability to work and (b) willingness to work. Without willingness to work, ability to work is of no use. The willingness to work can be created only by motivation.

4. **Determinant of Job Performance**

Performance of an employee depends on two factors, ability to work and willingness to work. Mathematically:

$$Performance = Ability \times willingness$$

Thus, motivation is one of the main determinants of job performance. It enhances the willingness to work that improves the employee job performance.

Figure 2.3 Managerial Hierarchy: Level of Management

to discuss about their own work. Participation encourages and permits contributions to decisions, goals, and plans along with organizations for implementation. It is also known as an approach that people are motivated when they are consulted on actions affecting them.

Delegation of Authority

Delegation of authority helps subordinates to participate and work in a given assignment. When subordinates are asked to involve themselves in planning and decision making process, it considerably motivates them to perform better.

Job Security

Employees cannot work efficiently unless job security is assured to them. An employee cannot render worthwhile service if he is removed from the job before he gets satisfactorily so it. People, generally, prefer secured jobs. Similarly, every employee wants to contribute to generalized fund, insurance and such other schemes that protect his interests particularly in his old age when he cannot work and earn. So, job security can be taken one of the important techniques of motivation.

Job Enlargement

It involves expanding the number of tasks or duties assigned to a given job. It is the process of horizontal loading of the same nature of job or tasks into one job. It motivates employees by reducing monotony of repetitiveness at work. It also allows opportunity to make use of employees' minds and makes them able to perform variation of task independently.

Job Enrichment

This is an important technique to motivate employees by providing them the opportunity to work in-depth in a job by allowing them to plan and control their work themselves. Applying this technique, employers are free to set their goals, supervise their subordinates, and they enjoy power over others by planning and controlling their work and work-related activities.

Job Rotation

This is the process of motivating employees by moving them from one job to another for a short period of time. With the view to saving employees from boredom and frustration caused by similar and repetitive jobs for a long time, this type of job arrangement is useful to diversify activities for a certain time. Nowadays, job rotation is popular to develop a flexible workforce to fit a person in different jobs.

5. **Readiness for the Change**

Motivation is the best remedy for resistance to changes. When changes are introduced in an organization, generally, there will be resistance from the employees. But if the employees of an organization are motivated, they will accept, appreciate and implement the changes whole heartily and help to keep the organization on the right track of progress.

6. **Utilization of Factors of Production**

Motivation facilitates the maximum utilization of all factors of production, human, physical and financial resources, and thereby contributes to higher production.

7. **Environment of Cooperation**

When an organization has properly motivated staffs, there will be better inter personal relationships. The responsibilities between subordinates and vice versa. There is also greater cooperation among the employees.

8. **Organizational Effectiveness**

Motivated employees work sincerely and contribute tremendous effort for the success of the organization, that provides to organizational effectiveness.

6. Techniques of Motivation

Management can use a variety of techniques to motivate employees. Some important techniques of motivation are given below:

1. **Financial Incentives**

Financial incentives include wages and salaries, bonus, fringe benefits, retirement benefits, etc. Money plays an important role in motivation. It helps to satisfy physiological and security needs of workers. Money is also useful in satisfying social needs to some extent because money is often recognized as a symbol of power, prestige and status. To be effective motivator, financial incentives should be linked to performance.

2. **Participation**

Employees can be motivated through their participation in decision making. So, employee participation can be one of the major techniques of motivation. Employee participation is the mental and emotional involvement of employees in group situations that encourage them to contribute to group goals and share responsibility for them. It occurs when they have a voice

5. **Coordination:** Coordination is the process of integrating all the units departments of an organization. It is the process of orderly arrangement of efforts to provide unity of action for the attainment of common goals. Different people perform different functions in an organization. They are interrelated to each other. There is necessary to bring uniformity in activities.

8. **Reinforcement**

It is a powerful technique for employee motivation. Employees are motivated when they respond to stimuli in consistent patterns or behavior over time. Reinforcement can be positive and negative. Behaviour that appears to lead a positive consequence needs to be repeated while behavior that leads negative consequences need not to be repeated. Employees behavior can be motivated by providing rewards.

9. **Quality of Work Life**

It refers to making jobs more interesting, challenging and satisfying. It is an important way in which organization recognizes its responsibility to develop jobs and working conditions that are excellent for employees as well as for the economic health of the organization. It emphasizes on improving the human dimension of work for employee satisfaction. It affects motivation of employees.

10. **Competition**

A sense of competition is driving force in achieving perfection. Employees in organization compete with each other to fulfill their ego needs. The person who is considered the best is awarded with the popular prize. Competition may be in terms of sales, production, safety measures, etc. A sense of competitiveness affects motivation of employees.

7. Theories of Motivation

Motivation to work is very complex. There are many internal and environmental variables that affect the motivation to work. Behavioural scientists started to search new facts, techniques and theories for motivation. They are termed as theories of motivation. They can be classified as need-based theories and process-based theories.

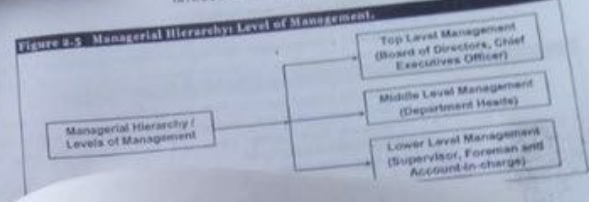
Need-Based Theories

- *Maslow's Hierarchy of Needs Theory*
- *Herzberg's Motivation-Hygiene Theory*
- *McClelland's Theory of Need Achievement*
- *McGregor's Theory of X and Y*
- *ERG Theory of Motivation*

Process-Based Theories

- *Equity Theory of Motivation*
- *Vroom's Expectancy Theory*
- *Reinforcement Theory*

Figure 2.5 Managerial Hierarchy: Level of Management.



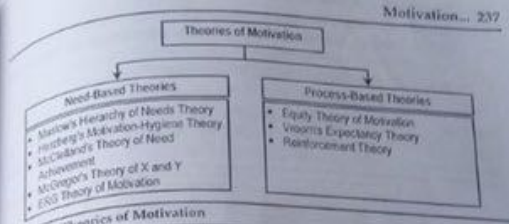


Figure 6.6: Theories of Motivation

(A) Hierarchy of Needs Theory

Abraham Maslow was a clinical psychologist in USA. He offered a general theory of motivation called the 'hierarchy of needs theory'. His motivation theory is widely accepted and studied. Maslow suggested that every individual has complex set of needs at any particular moment and his behaviour is determined by the existence of strongest need.

He stated that human beings have five types of needs and physiological need is the strongest hence the individual behaves in a particular manner to satisfy that need. Needs are hierarchal in nature and only one need dominates at any one point of time. Once the strongest need is satisfied then the second need emerges as being the strongest need and human behaviour is regulated in process of achieving satisfaction in series of need requirements. Maslow further started that there is only one need satisfying process is underway at any one time. They do not disappear once they are satisfied but their intensity is reduced (relegated) below the subsequent need.

Basic Assumptions

The basic assumptions of Maslow's theory are as follows:

- Once a need is satisfied, its role declines
- Needs are complex, with multiple needs acting simultaneously
- Lower level needs must be satiated before higher level needs are activated
- Individual and environment influence employee behaviour
- Individuals decide behaviour, although environment can place constraints

3. **Coordination**: Coordination is the process of integration of the various departments of an organization. It is the process of making management of the efforts to provide unity of action for the attainment of common goals. It helps organizations and people perform coordinated functions to achieve common goals. It coordinates among all departments, for, interrelated to each other. Thus, coordination among all departments is necessary to achieve organizational goals.

- Individuals have different needs/goals
- Divide among alternatives based on perception of individuals
- Leading to desired outcome
- More ways exist to satisfy higher level needs

Classification of Needs

Maslow classified human needs into five categories needs as physiological needs, safety or security needs, social or affiliation needs, esteem needs and the self-actualization needs.

Figure 6.9: Maslow's Hierarchy of

1. **Physiological Needs**

These are the primary or the basic needs of a person that must be fulfilled. These include, among others, food, clothing and shelter that are vital for the survival of mankind. A person cannot think of recognition or status when he is not able to earn adequately to satisfy his basic needs.

- Salary, wages, other benefits and work environment satisfy physiological needs of employees in organizations.

2. **Safety Needs**

The safety or security needs emerge once the basic or physiological needs of a person are fulfilled. Job security is one such need. People, generally, prefer secured jobs. Similarly every employee wants to contribute to provident fund, insurance and such other schemes that protect his interests particularly in his old age when he cannot work and earn. Safety need is related to the following:

- Every worker is concerned about his personal safety and wants to be free of physical danger.
- There are various dangerous processes in the work setting. Individual desires to be free and work toward self-preservation.

- Safety need is also related to employee/employer relationship, which should be cordial and free from any threat to job security.
- There should be certainty in the job and non occurrence of arbitrary action on the part of management/employer.
- Administration policy of any organization must cover certain points that are related to safety of an individual: the pay, pensions, insurance, and gratuity. Individual should be given opportunities for choice of job so that he derives satisfaction. He must also be given adequate security against being fired, laid off or demotion.

Social Needs

At this stage, a person wants friendship, companionship, association, love and affection of particularly those with whom he joins often. In the work place he may long for the association of the fellow-employees. In fact, it is for this reason that informal groups are formed within a formal organization. In the living place he may desire to have the friendship of his neighbours. These days' people live in flats and it is common to find an association in every apartment. These associations are formed by the owners to look after common amenities and for the sake of peaceful co-existence.

- Many companies provide health club facilities for their employees. Besides keeping employees healthy, it's easy to see how such opportunities also help satisfy social needs. "Playing hard" with those whom we also "work hard" provides good opportunities to fulfill social needs on the job.

Esteem Needs

These needs arise in view of a person's desire to have his ego satisfied. The satisfaction of these needs gives a person the feeling that he is above others. It gives a person self-respect, self-confidence, independence, status, recognition and appreciation. Some people show preference for luxury cars, expensive jewels and so on not just because they can afford it but also due to the fact that possession of such goods satisfies their ego.

- Consider, for example, reserved parking spots or plaques honoring the "*employee of the month*." Both are ways of promoting esteem within individual employees. So too are awards banquets in which worthy staff members' contributions are recognized. The same thing, in

frequently done in print by recognizing employees' organizational contributions on the pages of a company newsletter.

- The practice of awarding bonuses to people making suggestions for improvement is another highly successful way to help employees satisfy their esteem needs.

5. **Self-actualization Needs**

According to Maslow, A person, who reaches this stage, wants to achieve all that one is capable of achieving. In other words, a person wants to perform to his potentials. A professor may, for example, author books. A singer may compose music and so on. The desire to excel need not necessarily be in the field one is attached to. It can be in some other sphere also. For example, an actor or actress may excel in politics.

- When people are self-actualized they perform at their maximum level of creativity and become extremely valuable assets to their organizations. For this reason, companies are interested in paving the way for their employees to self-actualize by meeting their lower-order needs.

According to Maslow, people attempt to satisfy their physical needs first. As long as the needs are unsatisfied, they dominate behaviour. As they become reasonably satisfied, they lose their motivating power and the next level i.e., security needs becomes the dominant motivational force. This process continues up the need hierarchy.

Have a Look: Order of Needs
Lower-order Needs: Needs that are satisfied externally, physiological and safety needs.
Higher-order Needs: Needs that are satisfied internally, social, esteem and self-actualization needs.

Use and Advantage of Maslow's Hierarchy of Needs Theory

Maslow's needs hierarchy has been an attraction in the field of motivation. He has categorized human needs into hierarchical order and human needs tend to follow this pattern as assumed by Maslow. His approach is very simple, direct and practical. It helps managers in understanding the human behaviour at work. It points out that people are motivated by unfulfilled needs.

Limitations and Disadvantage of Maslow's Hierarchy of Needs Theory

Maslow's Hierarchy of Needs Theory has been subjected to a lot of criticism which are as follows:

- People differ in their expectations significantly. The same need does not lead to the same response in all individuals.
- The human behaviour is not a result of his needs or desires only. There are various other factors which affect human behaviour such as perceptions, expectations and experience. The theory neglects the interaction of needs. A person is hardly motivated by a single need only.
- The hierarchy of needs do not always follow the sequence suggested by Maslow. For some people, the ego or esteem needs are more important than physiological or social needs.
- The theory may not be applicable at all times and circumstances.

Herzberg's Motivation-Hygiene Theory

Frederick Herzberg and his associates developed Motivation-hygiene theory based on two main factors in late 1950's. This theory is also known as Two Factor Theory. Herzberg carried out research in nine different organizations where 200 respondents comprising accountants and engineers were subjects. A structured interview was carried out. The purpose of the study was to identify various factors of job achievement and also the factors that could be included so that motivation levels do not fall. Herzberg concluded, "There are two sets of needs, independent of each other". They are hygiene factors and motivational factors.

Hygiene Factors or Dissatisfiers

There are some job conditions which operate primarily to dissatisfy employees when these conditions are absent. These factors are called hygiene factors. When these factors are present they do not motivate in a strong way, when absent they dissatisfy, that is why these factors are called dissatisfiers. These factors are:

- Company's policy and administration.
- Relationship with supervisor
- Work condition
- Salary

- Relationship with peers
- Personal life
- Relationship with subordinates
- Status
- Security
- Supervision

These factors represent the need to avoid pain in the environment. They are not an intrinsic part of a job, but they are related to the conditions under which a job is performed. They are associated with negative feelings. They must be viewed as preventive measures that remove sources of dissatisfaction from environment. Herzberg believed that hygiene factors created a zero level of motivation and if maintained at proper level prevents negative type of motivation from occurring.

Thus, hygiene factors, when absent, increase dissatisfaction with the job. When present, help in preventing dissatisfaction but do not increase satisfaction or motivation.

2. **Motivational Factors or Satisfiers**

They are associated with positive feelings of employees about the job. They make people satisfied with their job. Motivators are necessary to keep job satisfaction and job performance high. On the other hand, if they are not present they do not prove highly satisfying. Motivational factors or satisfiers are directly related to job content itself, the individual's performance of it, its responsibilities and the growth and recognition obtained from it. They are intrinsic in nature and help increase one's output. These factors have positive effect on morale, productivity, and job satisfaction and give all efficiency of the organization. These factors are as under:

- Achievement
- Recognition
- Work itself
- Responsibility
- Advancement
- Growth

Thus, when these factors are absent, prevent both satisfaction and motivation. When, they are present, they lead to satisfaction and motivation.

Applying the two-factor theory to the workplace, Herzberg suggests a two-fold process:

- The supervisor should attempt to eliminate the hygiene factors that are found to be more basic than factors that lead to satisfaction.
- After the dissatisfiers have been somewhat neutralized, the supervisor may be able to motivate workers through the introduction of motivational factors.

Herzberg's Theory

Herzberg's Theory indicates the following:

- It has been found that most of the people are capable of satisfying their lower level needs considerably as they are not motivated by maintenance factors/hygiene factors.
- Any improvement in Hygiene factors do not motivate workers but their reduction below a certain level will dissatisfy them. For example increase in status or salary need not motivate an employee because he feels it, as a matter of happening but if he was not to get an increase in salary or if his status is not increased he would be dissatisfied. Hence the hygiene factors are called dissatisfiers. Therefore they do not contribute towards motivation.

The model suggested by Herzberg is not applicable in all conditions. There is mixing up of both factors in a job, which cannot be separated, as intrinsic and extrinsic. Because the level of personal need and relative strength of each of the needs is different from person to person.

Job satisfaction and job dissatisfaction are two opposite points on a single continuum. It has been seen that individuals are affected more by job environment or job contents when we want to achieve this, what we are actually doing is keeping hygiene factors constant and increasing the motivational factors in a job like improving the work itself or having growth constant or we delegate the job to an individual and vest in him the full authority and responsibility.

Herzberg's theory of motivation is not conclusive as the scope was narrow. Only 200 respondents were interviewed and that to persons belonging to white collar jobs (engineers & accountants) hence affect of various hygiene factors may be positive on workers.

The study is "Method bound". It has not shown any positive results in actual work environment.

Herzberg's study of motivation is important, as it has identified two main factors as Motivational factors and Maintenance or Hygiene factors. They should not be divided in strict water tight compartments. Certain overlap is bound to happen. Since these are applied in relation to human human beings.

Have a Look: Herzberg's Two Factor Theory: A Modern View	
1. Hygiene Factors	When absent, increase dissatisfaction to an extent but do not increase satisfaction or motivation. When present, help in preventing dissatisfaction but do not increase satisfaction or motivation.
2. Motivational Factors	When absent, prevent both satisfaction and motivation. When present, lead to satisfaction motivation.

Have a Look: Comparison of Maslow and Herzberg models

The similarities of Maslow and Herzberg models are illustrated as follows:

Figure 6.6: Similarities of Maslow and Herzberg Models

Have a Look: Differences between Maslow's Model and Herzberg's Model

Though Maslow's hierarchy of needs and Herzberg's two factor theory both are theories of motivation, there are some differences between them. They are as follows:

	Maslow's Model	Herzberg's Model
1.	According to this theory, Maslow found five basic needs which motivate employees to behave in certain ways at work. They are: physiological needs, safety needs, social needs, esteem needs and self actualization needs.	According to this theory, Herzberg found that people like to work in those organizations where two factors-hygiene and motivator are present.
2.	According to this theory, there is a hierarchy of needs. Higher level of needs become operational only when the lower level needs are reasonably satisfied.	According to this theory, there is no such hierarchy of needs. All the needs are operational all the times.

Figure 4.3: Managerial Hierarchy: Level of Management

This theory assumes that a person climbs, step-by-step, up the need hierarchy.	The theory does not consider so.
According to this, this is universal phenomenon.	Contingently, this is modern theory of motivation.
According to this theory, satisfaction of any unsatisfied need is a prerequisite for	According to this theory, motivation is based on fulfilling needs.

McClelland's Theory of Need Achievement

David McClelland, a Harvard Psychologist, has proposed that there are three major relevant motives most needs in work-place situations. According to him, the motives are:

- The need for achievement i.e., strives to succeed.
- The need for affiliation i.e., warm relationship with others.
- The need for power i.e., controls other people.

Need for Achievement (nAch)

It is the drive to excel, to achieve in relation to a set of standards, and to strive to succeed. In short, it is the need to achieve something. People with a high degree of nAch are attracted in taking more job challenges and care little about money as motivator.

Need for Power (nPow)

It is the need to make others behave in a way that they would not have behaved otherwise. The need for power (nPow) is the desire to have impact, to be influential, and to control others. Individuals high in nPow enjoy being "in charge," strive for influence over others, prefer to be placed in competitive and status-oriented situations, and tend to be more concerned with prestige and gaining influence over others than with effective performance.

Need for Affiliation (n Aff)

It is the desire for friendly and close interpersonal relationships. Individuals with a high affiliation motive strive for friendship, prefer cooperative situations rather than competitive ones, and desire relationships that involve a high degree of mutual understanding.

According to McClelland, every motive is acquired except striving for pleasure and avoiding pain. He proposed that people acquire these

Figure 1.3 Managerial Hierarchy Level of Management

McGregor has developed theory of X and theory of Y. According to him theory of X represents scientific approach of management and theory Y represents human relation theory.

Theory X

This theory represents the traditional approaches towards work and motivation. The assumptions of theory X are:

Employees are lazy. They dislike work and tend to avoid it.

They do not like to work so their manager should be control for the achievement of organization goal, give direction to them, and force to work.

Employees want to be directed and guided, they do not like to take responsibilities and want safety and they also have little ambition.

Most employees have little capacity for creativity in solving organizational problems.

Thus McGregor assumed that average human being dislikes work and will try to avoid it if possible. Employees are lazy, they must be controlled, coerced and even punished to achieve organizational goals. Average employees do not accept responsibility and seek direction from their superiors. They lack ambition. McGregor therefore recommends organizations be structured that enable close supervision, tight control and mangers must exert energy to achieve organizational objective.

Theory Y

The theory represents positive view of employees. So managers do not need to control, punish and direct the employees. The assumptions of theory Y are:

Employees view work as a natural activity like play or rest.

Employees exercise self-direction and self control when committed to objectives, self direction is better than external control.

Employees become dedicated to work or to goal only to the least until they reach their goal by receiving personal rewards.

Employees have inventive ability to solve organizational problems.

Employees are sharp minded but their internal abilities remain taling.

Employees get responsibilities in proper situation and also accept them.

[illegible], he believes that when an individual has difficulty satisfying a higher-level need, motivation to satisfy lower level needs increases.

The ERG stems from the compression of Maslow's five-category hierarchy into three categories of needs: existence, relatedness, and growth needs.

- Existence Needs
- Relatedness Needs
- Growth Needs

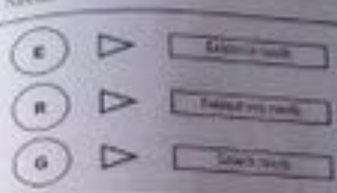


Figure 7.8 ERG Theory

Existence Needs

They are concerned with basic human survival needs. They include person's physiological and physically related safety needs such as the need for food, shelter, and safe working conditions. Existence needs corresponds to Maslow's physical and safety needs.

Relatedness Needs

These needs are concerned with satisfying interpersonal relationships. They include a person's need to interact with other people, receive public recognition, and feel secure around people. Relatedness needs correspond to Maslow's belongingness and social needs.

Growth Needs

They are concerned with continual desire for personal growth and development. They include person's self esteem through personal achievement as well as the concept of self-actualization presented in Maslow's hierarchy of needs theory. Growth needs are thought to be the highest need category.

In this way, Alderfer argues that there are three groups of core needs—existence, relatedness, and growth—hence, the name: ERG theory. This theory builds on some of Maslow's thinking but

Theory Y suggests that average human beings have work and effort as natural as play. Employees can exercise self-direction and self-control and given the proper working conditions, average people seek responsibilities. McGregor felt that wisdom is widely spread among the employees and they are innovative and can take quality decisions. It, therefore, assumes that management must appreciate the potential among employees and adopt such management practices like delegation, job enlargement and management by objectives. Management must appreciate the individual and organizational goals and create such environment, which is conducive for an organized reward system, recognition and facilities for creativity should be provided.

Have a Look: McGregor's Approach	
Theory X	Theory Y
People non-centered	Employee-centered
Autocratic	Democratic
External control	Internal control
Close supervision	General supervision
Initiating structure	Consideration
Directive	Supportive
Management's role: organizing, directing	Organizing and directing
Emphasis on control, coercion and punishment	Emphasis on growth, autonomy and reward
View of Human nature: People are lazy, lack ambition. They do not like work and are motivated solely by personal-economic concerns	People by nature enjoy work, want to do well, and are motivated by self-control and self-development

Source: Adapted from: Mitchell, T.R. (1979). People in Organizations: Understanding their Behavior. New York: McGraw Hill, p. 79.

(E) ERG Theory of Motivation

Clayton Alderfer's existence-relatedness-growth (ERG) theory is also a need theory of work motivation. ERG theory is a three level hierarchical need theory of motivation that allows for movement up and down the hierarchy. Alderfer reduces the number of needs from five to three and states that needs at more than one level can be motivates at any time. Like Maslow, Alderfer proposes a hierarchy of

reduces the number of universal needs from five to three: existence needs, relatedness needs, and existence needs—and it posits movement between levels. Alderfer lifts the restrictive progression of Maslow in which lower-order needs must be satisfied before a higher level need becomes a motivator. Alderfer breaks with Maslow on the consequence of need frustration. Needs at more than one level can be motivators at any time.

(F) Equity Theory of Motivation

Equity theory was developed by J. Stacy Adams in 1965 AD, based on the premise that workers pay attention to the relationship between the inputs they contribute, such as skills, training, education, experience, effort, and time, and the outcomes they receive, such as pay, benefits, status, job satisfaction, job security, and promotions.

Equity theory proposes that motivation is based on the worker's perception of the work situation. According to this theory, motivation is based on the perception of one's own outcome/input ratio compared to that of a similar individual or group, called a referent.

The referents can be:

Self-inside	: Experience in other position within the current organization
Self-outside	: Experience in similar position outside the current organization
Other-inside	: Another person or group inside the current organization
Other-outside	: Another person or group outside current organization

The psychological equation can be:

$$\frac{\text{Output (self)}}{\text{Input (self)}} \quad \text{Compared to} \quad \frac{\text{Output (other)}}{\text{Input (other)}}$$

1. Equity, $\frac{O_s}{I_s} = \frac{O_o}{I_o}$
2. Inequality, $\frac{O_s}{I_s} > \frac{O_o}{I_o}$
3. Inequality, $\frac{O_s}{I_s} < \frac{O_o}{I_o}$

Where,
O_s = Output (self)
O_o = Output (other)
I_s = Input (Self)
I_o = Input (other)

Equity is occurs when an individual's outcome/input ratio equals that of the referent. Because the comparisons of these ratios (rather than absolute levels) determine whether equity is perceived, equity can exist if the referent perceives more than the person making the comparison. When workers perceive ratios to be equal, they are motivated to maintain the status quo or increase inputs to receive greater outcomes.

Inequity: Unequal ratios result in tension and a desire to restore equity. **Overpayment inequity** occurs when an individual perceives his or her outcome/input ratio is greater than the referent's. **Underpayment inequity** occurs when the individual perceives his or her ratio is less than the referent's. In either case, the individual is motivated to restore equity, according to equity theory.

According to the theory, individuals are motivated to maintain an equitable exchange relationship. Inequity is unpleasant and tension arising and people will devote considerable energy to reducing inequity and achieving equity. Individuals that perceive inequity will use a number of tactics to regain equity: Perceptually distort their own inputs or outcomes, perceptually distort the inputs or outcomes of the comparison other or group; choose another comparison person or group; alter one's inputs or alter one's outcomes and leave the exchange relationship.

Strategies for Reducing Inequity

When an individual experiences inequity, there are several strategies available to restore equity:

Changing Inputs: Underpaid workers may try to reduce their inputs—by arriving late or by putting in less effort—or to increase outcomes. Overpaid workers may try to increase inputs or decrease outcomes.

Changing Outputs: Underpaid workers may try to reduce their referent's outcomes— by telling the manager a coworker doesn't deserve a bonus—or to get referents to increase inputs. Overpaid workers could try to increase or decrease the outcomes referents receive.

Changing Perceptions of Inputs and Outputs of Self: Equity can be restored through changes in perception of the inputs and outcomes of the worker and the referent. A worker might realize that the referent had inputs that were overlooked (i.e., additional

(i.e., a sense of accomplishment).

6. **Changing Perceptions in Inputs and Outputs of the Referent Person:** A person can convince the comparison person to change his inputs or outcomes to restore equity. This change can be actual or perceptual.
5. **Changing Referent Person:** Usually referents chosen by workers are similar in characteristics such as age, marital status, experience, and education levels. Sometimes the worker realizes that the referent was inappropriate (e.g., skills, abilities, experience) related to the boss, or superhuman). A change in the referent can restore equity.
4. **Leaving the Field:** It is leaving the organization. Leaving the organization restores equity. The worker can seek a more equitable work situation.

(C) Vroom's Expectancy Theory

Expectancy Theory was developed by Victor H Vroom. It is based on the notion that human behaviour depends on people's expectations concerning their ability to perform tasks and to receive desired rewards. The expectancy theory argues that the strength of a tendency to act in a certain way depends in the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of the outcome to the individual.

Expectancy theory makes two assumptions: (1) workers are motivated to receive positive outcomes and avoid negative outcomes and (2) workers are rational, careful processors of information. Expectancy theory identifies three factors that determine motivation: expectancy, instrumentality and valence.

$$M = \Sigma E \times I \times V$$

Or,

Motivation = Expectancy × Instrumentality × Valence

1. **Expectancy (Efforts - Performance Relationship)**

People have expectancies about the likelihood that an action or effort on their part will lead to the intended performance. Workers will be motivated by the belief that their performance will ultimately lead to payoffs for them. Expectancy is the

probability that a particular action will lead to a particular first outcome.

It is related to the probability perceived by individual that putting a given amount of efforts will lead to performance.

2. **Instrumentality (Performance - Reward Relationship)**

Instrumentality refers to the relationship between performance and rewards. It refers to a degree to which a first level outcome (e.g., superior performance) will lead to a desired second level outcome (e.g., promotion). If people perceive that their performance is adequately rewarded, the perceived instrumentality will be positive. On the other hand, if they perceive that performance does not make any difference to their rewards, the instrumentality will be low.

3. **Valence (Reward-personal Goal Relationship)**

It is the degree to which an organizational reward will satisfy individual needs and its attractiveness for the individual. It means the strength of an individual's preference for a particular outcome. A valence of zero occurs when the individual is indifferent towards the outcome. The valence is negative when the individual prefers not attaining the outcome to attaining it.

The key to "expectancy" theory is the "understanding of an individual's goals" - and the linkage between "effort" and "performance" between "performance" and "rewards" and between "rewards" and "individual-goal satisfaction". It is a contingency model, which recognizes that there is no universal method of motivating people.

(D) Reinforcement Theory of Motivation

Reinforcement theory of motivation is developed by B.F. Skinner. This theory is also known as **Operant Conditioning Theory**. In simplest form this theory suggests that behavior is a function of its consequences. Thus behavior that results in pleasant consequences is more likely to be repeated, and behavior that results in unpleasant consequences is less likely to be repeated.

The theory further suggests that in any given situation, people will follow a variety of possible behaviors. Future behavioral choices are guided by the consequences of earlier behaviour.

1. Concept and Meaning of Performance Appraisal

Evaluating employee performance is a key responsibility of managers. Simply, performance appraisal involves comparing each employee's actual performance with his or her desired performance. It monitors employee performance to ensure that it is at acceptable levels. It is a formal, structured system of measuring and evaluating an employee's job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society all benefit. Performance appraisal, a powerful tool, provides documented feedback on an employee's level of performance. It helps determine continued employment, promotion, transfer, bonuses, and pay raises, and allows for important communications between managers and employees. The actual performance appraisal documents become part of an employee's permanent record and can greatly influence lives and careers.

Wayne Cascio - 'Performance appraisal is the systematic description of the job-relevant strength and weaknesses of an individual or group.'

Dale S. Beach - 'Performance appraisal is the systematic evaluation of individuals with respect to their performance on the job and their potential for development.'

Dale. Yoder - 'Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group member in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees.'

Edwin B. Flippo - 'Performance appraisal is a systematic, periodic and so far as humanly possible and impartial rating of employee's excellence in matters pertaining to his potentialities for a better job.'

Monday and Noe – 'The process which leads to a formalized evaluation of employees is referred as a performance appraisal.'

Thus, performance appraisal is a process of indentifying, measuring and managing employee's performance in order to enhance organizational efficiency and effectiveness. It is also a process of evaluating the performance and qualifications of the employee in terms of the requirements of the job for which they are employed for

Figure 3.3 Managerial Hierarchy Level of Management

...of administration including placement, selection for promotion, providing financial rewards and other actions which result in differential treatment among the members of a group as opposed from actions affecting all members equally. It is a basic tool for evaluating job-relevant strengths and weaknesses within and among employees with a view to effective performance management system in the organization. It helps to plan employee development.

Look Performance Appraisal with different names	
Performance evaluation Performance management Performance rating Employee performance review Employee evaluation	• Staff assessment • Behavioural assessment • Performance evaluation • Merit rating • Review appraisal

Characteristics of Performance Appraisal

Some of the characteristic of performance appraisal are as follows:

Systematic

Performance appraisal is a systematic evaluation of an individual with respect to performance on the job and individual's potential for development. It is a developmental tool used for all round development of the employee and the organization. It is an on-going process.

Objective-oriented

Performance appraisal is an objective-oriented function. Its objective is to measure what an employee does. It is based on actual performance.

Focus

Performance appraisal focuses on job performance and potential for future development of employees.

Ongoing Process

Performance appraisal is an on-going process that is conducted periodically. It involves assessment of employees' past as well as potential performance also.

Multi-faceted

Performance appraisal is multi-faceted. It focuses on assessment of different aspects of job. It reviews employee's actual performance on the job and his potential for assuming future responsibilities. On the other hand, it evaluates employees' personal characteristics as well as it identifies training and development needs for them.

6. **Corrective**
Performance appraisal involves corrective activities. It focuses on removing factors to better performance and productivity. It provides feedback to employees.

2. Uses/Importance of Performance Appraisal

Performance appraisal is the process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating that information to those employees. Such appraisal also has been called employee rating, employee evaluation, performance review, performance evaluation, and results appraisal. Performance appraisal serves many useful purposes. The uses and importance of performance appraisal are as follows:

1. **Performance Feedback**
It provides adequate feedback to employees for their performance. This helps them to understand their problems and act to improve performance in the future.

2. **Self-Development**
The results of performance appraisal help the employees to know where they stand in so far as their performance is concerned and to assist them with constructive criticism and guidance for the purpose of their development.

3. **Reward and Punishment Decision**
The results of performance appraisal serve as an objective basis for reward and punishment decision. Employees performing best performance should be rewarded. On the other hand, employees performing below the standard should be punished or be sent for development. Performance appraisal is useful for this purpose.

4. **Training and Development Decision**
The results of performance appraisal play a vital role in identifying training & development needs and to evaluate the effectiveness of training & development programmes.

5. **Personnel Decision**
Performance appraisal helps to identify job-related strengths and weaknesses of individual employees. It provides feedback to them. Based upon the results of performance appraisal many personnel decisions such as promotion, demotion, termination, transfer can be made.

Supervisory
Periodic performance appraisal encourages supervisors to observe the job performance of their subordinates. They take an interest in helping them. This improves communication and mutual understanding between the supervisor and subordinates. Through it, the supervisor can suggest to subordinates how they are doing and can suggest needed changes in the behaviour attitudes, skills, and job knowledge.

To Review Potentiality of the Employees
Performance appraisal facilitates to review potentiality of the employees. It helps to identify competencies, knowledge and skills of employees. Based upon these information, the employees can be motivated to utilize their potentiality for higher responsibilities.

To Motivate Employees
The results of performance appraisal serve as an objective basis for decisions regarding rewards and punishment. The linkage between efforts-performance-rewards increases the motivation of employees for increased efforts.

Promotion and Transfer
Performance appraisal provides systematic judgment to back up salary increases, promotion, transfers, demotion or terminations.

Compensation Decision
The result of performance appraisal is useful to make compensation decision in terms of rewards, awards and benefits to the employees. It is useful to justify compensation given to individuals and/or groups, thereby discriminating between high and low performance.

Use a Link | Some other Purposes of Performance Appraisal

- **Career planning and succession planning**: Performance appraisal helps in career planning and succession planning. With the help of performance appraisal, employees get feedback about their performance. This helps to enhance the effective career, goals and path for self-development.
- **Validation of selection tests**: Performance appraisal results can be compared with the scores of selection tests to find out the validation of selection tests.
- **Policy formulation**: With the results of performance appraisal, management can formulate many policies related to performance

appraisal, promotion, transfer, training & development, compensation, etc.

- Improve communication. Performance appraisal provides a common forum for dialogue between the superior and the subordinate, and improves understanding of personal goals and concerns. This can also have the effect of increasing the trust between the rater and the ratee.

3. Process of Performance Appraisal

Performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance. It is a systematic and objective way of evaluating both work-related behaviour and potential of employees. It is a process that involves determining and communicating to employees how they are performing the job and ideally, establishing a plan of improvement. Following steps are involved in appraisal process:

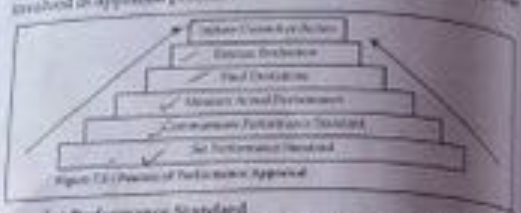


Figure 7.3 : Process of Performance Appraisal

1. **Set Performance Standard**

The appraisal process begins with the establishment of performance standards. These should have evolved out of job analysis and the job description. These performance standards should also be clear and objective enough to be understood and measured. Too often, these standards are articulated in vague such phrase as "a full day's work" or "a good job." Vague phrases tell us nothing. The expectations of managers has in term of work performance by the subordinates must be clear enough in their minds so that the managers would be able to at some later date, to communicate these expectations to their subordinates and appraise their performance against these previously established standards.

2. **Communicate Performance Standard**

Once performance standards are established, it is necessary to communicate these expectations. It should not be left to the

employees' job to guess what is expected of them. Unfortunately, too many jobs have vague performance standards. The problem is compounded when these standards are not communicated to the employees. It is important to note that communication is a two-way street. Mere transference of information from the manager to the subordinate regarding expectations is not communication. Communication only takes place when the transference of information has taken place and has been received and understood by subordinate. Therefore feedback is necessary. Hence the information communicated by the manager has been received and understood in the way it was intended.

Measure Actual Performance

The third step in a appraisal process is measurement of performance. To determine what actual performance is, it is necessary to acquire information about it. We should be concerned with how we measure and what we measure.

Four common sources of information are frequently used by managers to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure. The selection of the wrong criteria can result in serious dysfunctional consequences. What we measure determines, to a great extent, what people in an organization will attempt to excel at. The criteria we choose to measure must represent performance as stated in the first two steps of the appraisal process.

Find Deviations

The fourth step in the appraisal process is the comparison of actual performance with standards. The attempt in this step is to note deviations between standard performance and actual performance. One of the most challenging tasks facing managers is to present an accurate appraisal to the subordinate and then have the subordinate accept the appraisal in a constructive manner. The impression that subordinates receive about their assessment has a strong impact on their self-esteem and, very important, on their subsequent performance. Of

Objective-oriented Method

Management by Objectives, MBO Method

Job Standard-oriented Methods

Job standard-oriented methods of performance appraisal are based on job standards. They are concerned with a judgment which is based on the performance standard rather than comparing the performance of co-workers. They can be as follows:

Essay Method

In this method the supervisor or rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promotability of employee, relationship with fellow supervisors, existing capabilities and qualifications of performing jobs, employee characteristics and attitudes, physical conditions, development needs for future, strengths and weaknesses and training needs of the employee.

Advantage

- It is extremely useful in filling information gaps about the employees that often occur in a better-structured checklist.
- It is a very simple and free evaluation method. It requires no complex forms or extensive training to complete.
- It can provide detail information that can be a useful basis for personnel decisions. Feedback can be given to the concerned employee.

Disadvantages

- This method can consume much time because the rater must collect the information necessary to develop the essay and then write it.
- Comparisons with other employees are extremely difficult.
- Evaluation information provided are qualitative and cannot be quantified.
- Bias of the rater or supervisor dominates the evaluation.
- It highly dependents upon the writing skills of raters and most of them are not good writers. Success depends on the memory power of the raters.

Checklist Method

In the checklist, the evaluator uses a set of behavioral descriptions and checks of those behaviors that apply to the

employee. The evaluation merely goes down the list and tick "yes" or "no" responses. Once the checklist is completed, it is usually evaluated by the staff of HR department, not the rater himself. Therefore the rater does not actually evaluate the employee's performance; he/she merely records it. An analyst in the HR department then scores the checklist, often weighting the factors in relationship to their importance. The final evaluation can then be returned to the rating manager for discussion with the subordinate, or someone from the HR department can provide the feedback to the subordinate.

The checklist can be simple or weighted.

Simple Checklist: It is a list of descriptive statements of the employee's behaviour and characteristics, it rates the employee in a "Yes" or "No" model.

Sample Check List Appraisal Form	
Name of the Employee:	Number:
Designation:	Department:
Check list of qualities	Behaviour
1. Is the employee punctual in attending the office?	Yes/No
2. Does the employee behave courteously with his supervisors?	Yes/No
3. Does the employee maintain sound customer relations?	Yes/No
4. Is the employee success in doing his job?	Yes/No
5. Does the employee behave well with the public outside the organization?	Yes/No

Weighted Checklist: When the statements in the simple check list are assigned with points (weightage) according to the importance in the concerned job, it is known as weighted checklist. Under it, the prepared statements describe various types and levels of behaviours for a particular job.

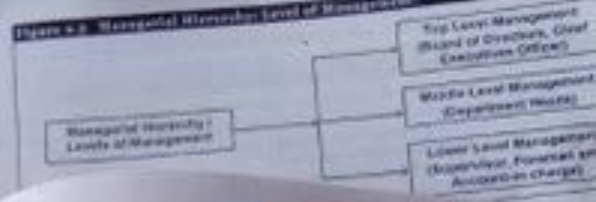
Advantages

- It is economical and easy to operate.
- Since the rater and the scorer are different, it reduces the biasness.
- It provides feedback to both the rater and ratee.

Disadvantages

- It is difficult to assemble, analyze and weigh a number of statements about employee's traits and contributions.
- It is inefficient in case of involvement of many categories of jobs because each job category needs different checklist.

Figure 4.3: Managerial Hierarchy: Level of Management



- Misinterpretation of checklist items may occur while evaluating the checks.
- It uses personality criteria instead of performance criteria.

Forced Distribution Method (Forced Choice Method):

The forced distribution appraisal is a special type of checklist, but the rater has to choose between two or more statements, all of which may be favorable or unfavorable. The appraiser's job is to identify which statement is most (or in some cases least) descriptive of the individual being evaluated.

The method helps correct a supervisor's tendency to give consistently high or low ratings to all the employees. It requires appraisers to make objective reporting and minimum subjective judgement. In this method, rating elements are several sets of four phrases or adjectives (usually two positive phrases and two negative ones) relating to job proficiency or personal qualities.

For example:

(1) (a) Works hard
(b) Works fast
(2) (a) Shows initiative
(b) Is responsive to customers
(3) (a) Produces poor quality
(b) Lacks good work-habits
(4) (a) Lacks ability to make people feel at ease
(b) Has poor social temperament

Here the first two ratings are positive and the other two negative. It forces the rater also to also evaluate the negative side of the employee which they may involuntarily skip otherwise.

Advantages

- Reduces bias and distortion of evaluation.
- Avoids inconsistent ratings.
- Reduces humanity error resulting from the 'value' system of the supervisor or appraiser.

Disadvantages

- Raters feel uneasy and frustrated as they are forced to make a choice between statements which are difficult to differentiate.
- Costly and difficult to administer. There is high cost to establish and maintain validity of appraisal.
- Not helpful for HRD. It is not useful as a tool for developing employees by such means as the appraisal interview.

5. Coordination Coordination is the process of integrating all the various departments of an organization. It is the process of unity, management of all efforts to provide unity of action for the attainment of common goals. Coordination and people problems defined because of organization, the activities of different departments are interdependent in such other. Thus, coordination among all departments is necessary to help collectively in achieving organizational goals.

Managerial Hierarchy: Levels of Management

- Top Level Management (Board of Directors, Chief Executives Officer)
- Middle Level Management (Department Heads)
- Lower Level Management (Supervisor, Foreman and Accounts-in-charge)

4. **Critical Incident Method**

Critical incident appraisal focuses the rater's attention on those critical or key behaviors that make the difference between doing a job effectively and doing it ineffectively. What the appraiser does is write down little anecdotes or stories that describe what the employee did that was especially effective or ineffective.

In this approach to appraisal, specific behaviors are cited, not vaguely defined personality traits. A behaviorally based appraisal such as this should be more valid than trait-based appraisals because it is clearly more job related. It is one thing to say that an employee is "aggressive" or "imaginative" or "relaxed," but that does not tell anything about how well the job is being done. Critical incidents, with their focus on behaviors, judge performance rather than personalities. Additionally, a list of critical incidents on a given employee provides a rich set of examples from which the employee can be shown which of his or her behaviors are desirable and which ones call for improvement.

Have a Look: Critical Incidents of a Plant Manager

Continuing Duties	Targets	Critical Incidents
Schedule production for plant	Full utilization of personnel and machinery in plant; orders delivered on time.	Instituted new production scheduling system, decreased late orders by 10% last month, increased machine utilization in plant by 20% last week.
Supervise procurement of raw materials and inventory control	Minimize inventory costs while keeping adequate supplies on hand	Left inventory storage costs due by 15% last month, over ordered parts 'A' and 'B' by 20%, under ordered part 'C' by 30%.
Supervise machinery maintenance	No shut downs due to faulty machinery	Instituted new preventive maintenance system for plant, prevented a machine breakdown by discovering a faulty plant.

Source: Dessler, G. (1995). Human Resource Management. New Delhi: Prentice Hall of India Pvt. Ltd., p. 301

Advantages of Incident Method

- It evaluates job performance rather than personal traits under normal conditions.
- In this method, evaluations are based on actual job behaviors.
- Ratings are supported by descriptions.
- Feedback is easy, reduces biases, chances of subordinate improvement are high.

Disadvantages of Incident Method

- Supervisor are reluctant to write these reports on a daily or even weekly basis for all of their subordinates as it is time-consuming and burdensome for them.
- Critical incidents do not lend themselves to quantification. Therefore the comparison and ranking of subordinates is difficult.
- Supervisor has to record incidents continuously, which is time-consuming and cumbersome.
- It tends to focus on negative and unusual behaviour of the employee which has nothing to do with regular duty hours.

Graphic Rating Scale Method

One of the oldest and most popular methods of appraisal is the graphic rating scale. It is used to assess factors such as quantity and quality of work, job knowledge, cooperation, loyalty, dependability, attendance, honesty, integrity, attitudes, and initiative, etc. However, this method is most valid when abstract traits like loyalty or integrity are avoided unless they can be defined in more specific behavioral terms. The assessor goes down the list of factors and notes that point along the scale or continuum that list of factors and notes that point along the scale or continuum that best describes the employee. There are typically five to ten points on the continuum. In the design of the graphic scale, the challenge is to ensure that both the factors evaluated and the scale points are clearly understood and unambiguous to the rater.

Rating Scales

Rating scales ranges from excellent to poor. For example:

- Excellent (Ex)
- Very good (VG)
- Good (G)
- Acceptable (AC)
- Barely satisfactory (BS)

Figure 3.3 Managerial Hierarchy: Level of Management

- It is subjective concept and is based on personality criteria.
- The halo effect may be resulted in the evaluation process.
- It is based on individual perception.

Behaviorally Anchored Rating Scales (BARS)

These scales combine major elements from the critical incident and graphic rating scale approaches. The appraiser rates the employee based on items along continuum, but the points are examples of actual behavior on the given job rather than general descriptions or traits.

Behaviorally anchored rating scales specify definite, observable, and measurable job behavior. Examples of job-related behavior and performance dimensions are generated by asking participants to give specific illustrations on effective and ineffective behavior regarding each performance dimension. These behavioral examples are then retranslated into appropriate performance dimensions. Those that are sorted into the dimension for which they were generated are retained. The final group of behavior incidents are then numerically scaled to a level of performance that each is perceived to represent. The incidents that are retranslated and have high rater agreement on performance effectiveness are retained for use as anchors on the performance dimension. The results of the above process are behavioral descriptions, such as anticipates, plans, executes, solves immediate problems, carries out orders, and handles emergency situations.

Advantages

- BARS is job-related. It specifies definite, observable and measurable job performance behavior. The degree of reliability tends to be higher.
- It assesses behavior over traits.
- It clarifies to both the employee and rater which behaviors predict good performance and which predict bad.
- It makes comparison among employees possible, as the scales are standardized and ratings are quantified.
- Feedback can be given to employees about effective or ineffective job performance.
- Rating is done by experts.
- It does tend to reduce rating errors.

- Indicative of substandard (SD)
- Sub-standard (S)
- Poor (P)

Table 6.2 Sample of Graphic Rating Scale Items and Format

Performance Factors	Performance Rating				
Quality of work	Consistently unsatisfactory	Occasionally unsatisfactory	Consistently satisfactory	Sometimes superior	Consistently superior
Skill and comprehension of tasks	Consistently unsatisfactory	Consistently unsatisfactory	Consistently satisfactory	Sometimes superior	Consistently superior
Quality of work in the context of work plan and knowledge & information required to do the job and an individual should know to perform job successfully (knowledgeable, skilled, competent, reliable, adept)	Poorly informed about work duties	Occasionally unsatisfactory	Can answer most questions about the job	Understands all phases of the job	Can comprehend nuances of phases of the job
Initiative and creativity (Exercises and creates initiative actions)	Requires constant supervision	Requires occasional follow-up	Usually can be counted on	Requires some little supervision	Requires minimum of supervision

In this method, higher the rating scale of appraisal, higher the promotion, reward and increment. It uses job-related performance criteria, such as dependability, initiative, attitude, cooperation, work knowledge, and so on. The rater checks appropriate performance-level on each criteria of the employee's performance. Then, the rater computes the employee's total numerical score and derives the final conclusion.

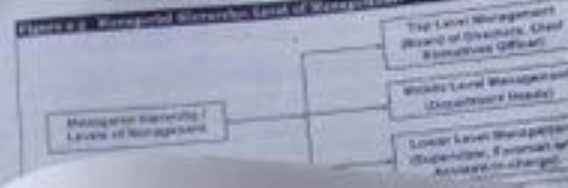
Advantages

- This method is less time-consuming to develop and administer.
- It permits quantitative analysis.
- There is greater standardization of items so comparability with other individuals in diverse job categories is possible.
- The evaluation is quantified.

Disadvantages

- The rater's biases are likely to influence evaluation process.

Figure 2.2 : Managerial Hierarchy Level of Management



In this method, evaluators are asked to rank the employees in the top 5 percent, the next 5 percent, the next 15 percent. So if a rater has twenty subordinates, only four can be in the top fifth and, of course, four must also be relegated to the bottom fifth.

Advantages

- This method prevent raters from inflating their evaluations so everyone looks good or from homogenizing the evaluations for everyone is rated near the average outcome that are usual with the graphic rating scale.
- Easy to administer.
- Efficient in terms of time and cost involved.
- Prevents inflated (too high) evaluations.

Disadvantage

- It is not good if the number of employee being compared is small.
- It may create employee resentment, as employees placed in the bottom group feel angry and humiliated.
- Because comparison are relative, an employee who is ordinary or mediocre may score high only because he or she is the "best of the worst". Similarly, an excellent performer who is matched against "best" competition may be evaluated poorly, when in absolute terms his or her performance is outstanding.

Paired Comparison Method

Under this method the employees are compared on a pair of employees. It ranks each individual in relationship to all others on a one-on-one basis. A score is obtained for each employee by simply counting the number of pairs in which the individual is the preferred member. The required number of pairs to be made can be determined with the help of the following formula:

$$\text{Pairs} = \frac{n(n-1)}{2}$$

Where,

n = Number of employees

If there are 7 employee in an organization, the number of pairs can be :

$$\text{Pairs} = \frac{n(n-1)}{2} = \frac{7(7-1)}{2} \text{ (if n = 7)} = \frac{42}{2} = 21 \text{ pairs.}$$

Disadvantages

- BARS is complex, time consuming and costly method to develop.
- The critical incidents used are activity-oriented rather than result-oriented. Goal accomplishment is disregarded.
- Appraisees' bias may affect ratings.
- The traditional criteria used as rating factors are less related to job performance, but more to personal traits.
- The evaluation is subject to the appraiser's subjective perceptions and interpretations.
- Since BARS are necessarily job related, use of this method may not be practical as many organization because each job-category requires its own BARs.

8. Comparison-oriented Methods

Comparison-oriented methods of performance appraisal are based on relative standards of working by each individual worker. Individuals are compared with other individuals. These methods are relative rather than absolute measures. They can be as follows:

1. **Individual Ranking Method**

   The rater/supervisor lists all the employees individually in a rank order from the highest to the lowest on the basis of their overall performance. For example, if organization has 11 employees employee's performance can be determined in rank from 1st to 10th. This method determines the rank of each employees from 1st to 10th.

   Advantages

   - Efficient in terms of time and cost.
   - Easy to understand and administer.
   - Comparisons between employees are possible.

   Disadvantages

   - It just ranks employees but does not provide all required information on the employee.
   - It is difficult when the number of employees is too large.

2. **Group Order Ranking Method**

   It is the method in which employees are placed into a particular classification or groups according to their grade of performance. For example:

   "top one-fifth" or

   "second one-fifth."

Hence, if seven employees are being evaluated, the first person is compared with each of the other six, and the number of times this person is preferred to any of the six persons is tabulated. Each of the remaining six persons in turn is compared in the same way, and a ranking is evolved by the greatest number of preferred "victories". This method ensures that each employee is compared against every other, but the method can become unwieldy when large numbers of employees are being compared.

Advantages

- It ensures employee comparison on a one-on-one basis.
- It tends to result in reliable ranking of employees. Errors of comparison are fewer.

Disadvantages

- The method is unsuitable when there are a large number of employees, like those in Nepal Rastra Bank, Nepal Bank Ltd, Nepal Telecom, etc.
- It does not evaluate individual performance dimensions but overall performance only.
- It does not indicate how to improve performance.

4. **360 Degree Feedback Method**

360-degree feedback method is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This method is also known as multi-rater feedback, multi-source feedback, full-circle appraisal, and group performance review. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback. It is generally used for evaluating managerial performance.

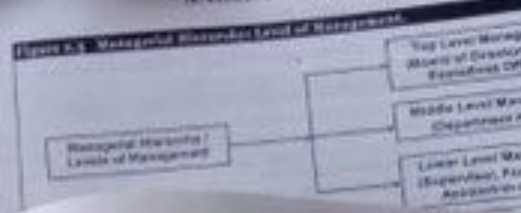
Advantages

- This method provides a comprehensive picture of managerial performance.
- It helps to identify the development needs of managers.
- It also helps to identify interpersonal skills and team building skills of managers.

Disadvantages

- Receiving feedback from multiple sources can be intimidating, threatening etc.

Figure 2.3 : Managerial Hierarchy Level of Management



- Multiple raters may be less expert at providing balanced and objective feedback.
- It may be difficult to maintain confidentiality and privacy of the evaluation.

Objective-oriented Method

Objective-oriented method is based on objectives. The popular method is management by objectives (MBO).

Management by Objectives (MBO) Method

Management by objectives (MBO) is a process that converts organizational objectives into individual objectives. In this approach, managers and specialists set objectives in their area of responsibility. Thus they create specific goals against which this performance can be measured. They researches actual performance and compare it with previously set objectives. They can then evaluate the trends in this area. It can be thought of as consisting of four steps: goal setting, action plan, self control, and performance reviews.

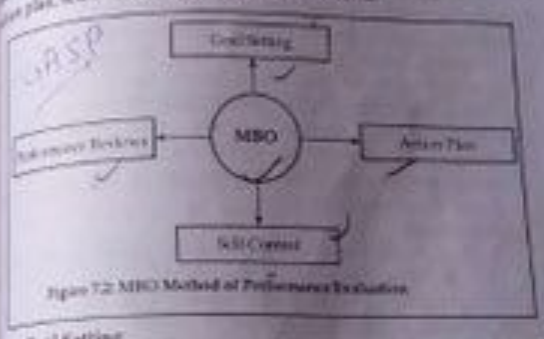


Figure 7.2: MBO Method of Performance Evaluation

Goal Setting

In goal setting, the organization's overall objectives are used as guidelines from which departmental and individual objectives are set. At the individual level, the manager and subordinate jointly identify those goals that are critical for the subordinate to achieve in order to fulfill the requirements of the job as determined in job analysis. These goals are agreed upon and then become the standards by which the employee's results will be evaluated.

active are, somehow, making evaluation of their employees. In the evaluation process, immediate supervisors are responsible for providing inputs. Moreover, organizations are also seeking other in the evaluation process, e.g., the supervisor's superior, the employee himself, etc. A few organizations have also received inputs from subordinates, peers and customers for the purpose of performance appraisal. But, modern method such as management by objectives (MBO) is not practiced.

Promotion-oriented Purpose

The main purpose of performance appraisal in Nepalese organizations is the promotion of employees. It does not provide performance feedback to employees. The result of performance appraisal is not used to inform career development, reward management and employee training and development. Results are mostly used to decide whether to promote employees or not.

Lack of Transparency

Performance appraisal in Nepal lacks transparency. The final evaluation results are mostly confidential and are not told to the concerned employees. Interpersonal relations, leniency errors are very common. In fact, performance evaluation is not linked with other HR management practices.

Performance Appraisal in Civil Service

Civil service acts and rules have been developed to evaluate the performance of civil servants. A performance evaluation form has been prescribed. A total of 40 marks are allotted for performance evaluation. They are divided as follows:

• Immediate supervisor	25
• Reviewer	10
• Review committee	5
Total	40 marks

A rating scale is used for allocating marks. The scale is given below:

	Outstanding	Good	Fair	Poor
Immediate supervisor	25	18.75	12.5	6.25
Reviewer	10	7.50	5.0	2.50
Review committee	5	3.75	2.5	1.25

In practice, however, almost all employees get 'good' on the rating scale. Only the favoured ones manage to get 'outstanding'

rating. Since almost all the employees get uniform 'good' rating the performance appraisal system has become dysfunctional in practice.

6. **Performance Appraisal in Public Enterprises**

Performance appraisal of employees in the public enterprises is done based on 'General Principles' prescribed by Public Service Commission. It is more or less similar to the government employees. Performance appraisal is done every six months. Appraisal is done by supervisor, reviewer, division chief, or chief executive. A rating scale is used to allocate marks for various traits related to job performance capability and personality. The chief executive has the final say in making performance appraisal. Some organizations are using performance contracts.

Have a Look: Main Issues and Trends in Performance Management in Nepal

Given below are some of the main issues and trends in performance management in Nepal:

- CEOs in the public enterprises (PEs) are not appointed on a performance contract.
- In the joint venture banks (JVBs), managers are appointed on a performance contract.
- In the PEs, the result of performance evaluation is not linked with other HR activities such as reward, training and development.
- The nature of jobs in small manufacturing organizations is an inhibiting factor in evaluating performance.

Source: Adhikari, D.R. (2008). Human Resource Management. Kathmandu: Bartha Academic Enterprises Pvt. Ltd., p. 375.

Conclusion

Of course, performance appraisal is important aspect of human resource management. It is essential for evaluating employees' performance on the job and their potential for assuming future responsibilities. It is the basis for allocating rewards and it helps to plan employee development. So, Nepalese organizations should practice effective and systematic performance appraisal methods. But performance appraisal in Nepal remained ritualistic, unsystematic and ineffective. The system has not motivated employees towards higher performance. The results of performance appraisal are not used in terms of career development, reward management and employee training and development. These results are mostly used

1. Concept and Meaning of Compensation

Compensation refers to all types of financial rewards and tangible benefits and services employees receive as part of their employment. It is composed of money received in the performance of work, plus the many kinds of benefits and services that organizations provide to their employees. Compensation is the major cost of doing the business for many organizations. It is the chief reason why people seek employment.

The term 'compensation' is a comprehensive one including pay, incentives, and benefits offered by employers for hiring the services of employees. In addition to these, managers have to observe legal formalities that offer physical as well as financial security to employees. All these issues play an important role in any HR department's efforts to obtain, maintain and retain an effective workforce.

Byars and Rue – "Compensation refers to the extrinsic rewards that employees receive in exchange for their work. It is composed of the basic wage or salary and incentives or bonuses and any benefits."

Mondy and Noe – "Compensation refers to every type of reward that individuals receive in return for performing organizational tasks."

Schuler – "Compensation refers to the activity by which organization evaluates the contribution of employees in order to distribute fairly direct and indirect, monetary and non monetary reward within the organization's ability to pay and legal regulation."

Gary Dessler – "Compensation refers to all forms of pay or rewards going to employees and arising from their employment."

T.N. Chabra – "Compensation refers to a wide range of financial and non financial rewards to employees for their services rendered to the organization."

Thus, compensation refers to all forms of financial returns and tangible benefits that employees receive as part of an employment relationship. Financial compensation is either **direct** or **indirect**. The **direct financial compensation** consist of the person receives in the form of wages, salaries, bonuses or commissions etc. **Indirect compensation** consists of the like praise, self-esteem, recognitions, motivation, productivity, (benefits and welfare).

compensation payment is the human resources management function deals with the every type of reward individuals receives in the exchange for performing organizational tasks. It arises from employment. It occupies an important place in the life of the employees. So, the compensation to employees should be attractive so that the employees will be satisfied and disputes, etc. will be minimized. Fair compensation payment acts as a motivating factor in organization. So, today's organizations need to introduce a fair system of compensation payment.

Thus, it can be concluded that compensation represents the most important and contentious element in the employment relationship, and is of equal interest to the employer, employee and government[1]:

- to the employer because it represents a significant part of his costs; is increasingly important to employees' performance and to competitiveness, and affects ability to recruit and retain a labour force of quality;
- to the employee because it is fundamental to his standard of living and is a measure of the value of his services or performance;
- to the government because it affects aspects of macro-economic stability such as employment, inflation, purchasing power and socio-economic development in general.

While the basic wage or pay is the main component of compensation, fringe benefits and cash and non-cash benefits influence the level of wages or pay because the employer is concerned more about labour costs than wage rates. The tendency now is towards an increasing mix of fringe benefits, which therefore have an important impact on pay levels. In industrialized countries, and sometimes in countries with high personal tax rates, the non-pay element of executive compensation has substantially increased in recent years[2].

Have a Look : Objectives of Compensation

The most important objective of any compensation system is fairness or equity. The term equity has three dimensions.

- **Internal equity:** This ensures that more difficult jobs are paid more.
- **External equity:** This ensures that jobs are fairly compensated in comparison to similar jobs in the labour market.
- **Individual equity:** It ensures equal pay for equal work, i.e., each individual's pay is fair in comparison to others doing the same/similar jobs.

In addition, there are other objectives also. The ultimate goal of compensation administration (the process of managing a company's compensation programme) is to reward desired behaviours and attract the people to do work as their jobs. Some of the important objectives that are sought to be achieved through effective compensation management are listed below:

a. **Attract talent:** Compensation needs to be high enough to attract talented people. Since many firms compete to hire the same talented people, the salaries offered must be high enough to motivate them to apply.
b. **Retain talent:** If compensation levels fall below the competitive employees or are not competitive, employees may quit to competitors.
c. **Ensure equity:** Pay should equal the worth of a job. Similar jobs should get similar pay. Likewise, more qualified people should get better wages.
d. **New and desired behaviour:** Pay should reward high contribution, experience, risks taking, initiative and other desired behaviours. Where the company fails to reward such behaviours, employees may go in search of greener pastures outside.
e. **Control costs:** The cost of hiring people should not be too high. Effective compensation management ensures that workers are neither overpaid nor underpaid.
f. **Comply with legal rules:** Compensation programmes must satisfy statutory governmental rules regarding minimum wages, hours, allowances, benefits, etc.
g. **Ease of operation:** The compensation management system should be easy to understand and operate. There only will be a general understanding regarding pay related matters between employees, present and managers.

Source: Rao, VSP (2011). **Study Material of M.B.A. Programme on Human Resource Management**. New Delhi: Excel Books Private Ltd., pp.154-155.

Meaning of Compensation Management

Simply, compensation management refers to the establishment and implementation of sound policies and practices of salary and wage administration. It consists of designing a cost effective pay structure that will attract, retain, and motivate the competent employees in the organization.

Michael Armstrong – "Compensation management is concerned about designing, implementing and maintaining pay systems which help to improve organizational performance."

Decenzo and Robbins – "The goal of compensation administration is to design a cost-effective pay structure that will attract, further and retain competent employees."

Thus, compensation management is concerned with designing and managing total compensation package. Compensation package includes pay plus varieties of benefits and services. The goal of compensation management is to design the lowest-cost pay structure that will attract, motivate, and retain competent employees and that will be perceived as fair by these employees. But, fairness is a matter of perspective. Organizations generally seek to pay the least, as it helps to minimize costs. Where as employees also want fair compensation. Hence, compensation management should balance organization's ability to pay with employee satisfaction.

Types of Compensation

Compensation refers to all forms of financial rewards receive by employees. It can be direct or indirect.

Figure 8.1: Types of Compensation

Direct Compensation

Direct compensation refers to all types of financial rewards employees receive in exchange of their work. It is paid in terms of monetary gains. Such compensation enhances the economic well-being of the employees.

Direct compensation can be further divided in to two components such as:

- *Pay or Salary*

  It refers to the salaries and wages employees normally receive. It can be of two types:

  - Basic Pay: It is the basic compensation an employee gets, usually as a wage or salary. It can be paid on hourly, weekly or monthly basis.
  - Merit Pay: It is the compensation that is linked directly to performance accomplishments. It is an addition to the base pay.

b. **Incentives**

Incentives are monetary benefits paid to employees in recognition of their outstanding performance. They are the variable rewards granted according to variations in the achievement of specific results. They can be piecework rates, commission, bonus, profit sharing, stock option, etc.

2. **Indirect Compensation**

Direct compensation refers to all types of benefits and services employees receive in exchange of their work. They are intended to maintain or improve the quality of life.

a. **Benefits**

These are indirect rewards given to an employee or group of employees as a part of organizational membership. Employees receive such benefits as a result of continuing their employment in the organization. Some of the important types of benefits are as follow:

- **Pay for Time not Worked:** It consists of paid vacation, holidays, leaves, lunch breaks, bereavement leave on death of a relative, etc.
- **Protection Programs:** It consists of retirement benefits such as pension, gratuity, insurance payments, provident fund, medical care, etc.
- **Executive Benefits:** It consists of free newspaper, telephone rental, etc.

b. **Services**

They are also known as perks. Services are not paid in cash but they increase employees' well-being at no cost or at significantly reduced cost to employees. Their costs will be paid by the organization. The services consist of:

- Free furnished housing, special food services, private bathroom
- Children's education expenses, childcare facilities
- Discount on purchases, credit cards, loans
- Company car, airplane
- Social-cultural recreational opportunities; club membership, physical fitness programmes
- Free legal advice and counseling for financial management
- Stock options schemes
- Management loans; relocation expenses when transferred

Determinants of Compensation
(Factors Influencing Compensation Management)

Various numbers of factors interact for determining compensation. Such factors can be broadly classified into internal determinants and external determinants.

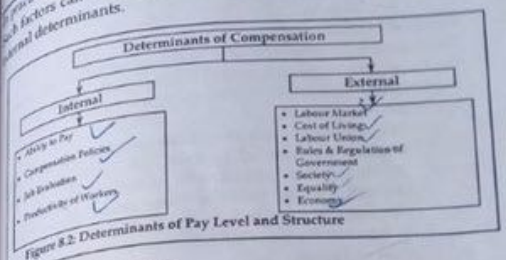


Figure 8.2: Determinants of Pay Level and Structure

Internal Determinants

The internal determinants that influence compensation comprise ability to pay, compensation policies, job evaluation and productivity of workers.

a. **Ability to Pay**

The first important factor which determines the pay rate is the ability to pay. The companies with good sales & high profits have the ability to pay higher wages to the employees as compare to any other small scale company. For example, multinational companies pay relatively high salaries due to their high earning power.

b. **Compensation Policies**

The policies of the organization influence compensation. They serve as guidelines for formulating compensation plan.

c. **Job Evaluation**

It also determines the relative worth of a job to the organization. Compensation system should be designed around jobs. Job description and job specifications affect pay level and structure.

d. **Productivity of Workers**

It is another criteria measured in the terms of output per man hour. Technological improvements, better organization and management the development of better methods of production by labour and management, greater skill by labour are responsible for the increase in productivity.

2. **External Determinants**

The external determinants that influence compensation comprise labour market, cost of living, labour union, rules and regulations of government, society, equality and economy.

a. **Labour Market**

The labour market conditions or supply and demand forces at the national, regional and local levels because of the demand for certain skills is high and supply is low the price to be paid for these skills will be high & similarly if demand for skill is low & supply of manpower is more than salary paid will be low.

b. **Cost of Living**

The cost of living is the usually regarded as automatic minimum pay criterion and it is based on the shrinkage or decrease in an acceptable cost of living index. When the cost of living increases, the workers and trade union demand adjusted wages.

c. **Labour Union**

The trade unions play an important role, generally the stronger and powerful the trade union, the higher wages, as a strike or threat of strike is the most powerful weapon used by them.

d. **Rules and Regulations of Government**

The legal stipulations in respect of minimum wages, bonus, dearness allowance, etc., determine the wage structure in an industry.

e. **Society**

Some psychological and social factors also determine to a significant measure how hard a person will work for the compensation received or what pressure he will exert for his hike in compensation. Wages as a measure of success in life, people may feel secure or have an inferiority complex.

f. **Equality**

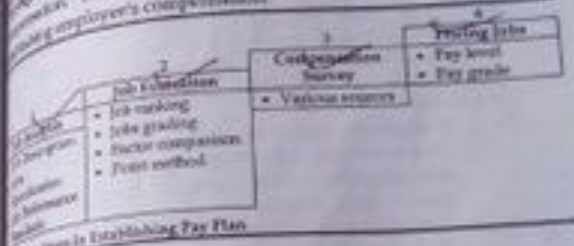
The compensation system should be fair in terms of equity. The rates should be the same for similar type of jobs within the organization. They should compare favorably with going pay rates in other organizations.

g. **Economy**

An organization cannot make spending decisions independently of the economy. Organizations must keep costs low enough that they can sell their products profitably, yet they must be able to attract workers in a competitive labour market. Decisions about how to respond to the economic forces of product markets and labour markets limit an organization's choices about pay structure. Hence, economic condition of the country also determines the employee compensation.

Methods of Establishing Employees' Compensation

There are various methods for establishing employees compensation. The following methods or steps can be used in establishing employee's compensation:



Steps in Establishing Pay Plan

Job Analysis

It is the first process for establishing compensation. This step collects information about jobs and workers. The information is collected through surveys, observations and discussion among workers and supervisors. The job analysis consists of:

- **Job description**

It is a statement that states the nature, kind and other physical characteristics of the job. It explains job requirement and the contexts of job in terms of duties, responsibilities, authority, accountability, working conditions, etc.

b. *Job specification*

It is a statement that states a minimum level of qualifications and experience required for performing a particular job. It specifies experience, training, education, skills, physical and mental characteristics of the employee.

c. *Job performance standards*

They serve as criteria for evaluating job performance. They provide as performance targets for employee efforts.

The information obtained from job analysis is necessary to match qualified personnel with job requirements and establish proper compensation.

2. **Job Evaluation**

It is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It aims to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational compensation or pay structure. Job evaluation needs to be differentiated from job analysis. Job analysis is a systematic way of gathering information about a job. Every job evaluation method requires at least some basic job analysis in order to provide factual information about the jobs concerned. Thus, job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay-equity between jobs.

The basic compensable factors considered for job evaluation are as follows:

- **Knowledge and Skill:** Know-how needed for the job. (based on job specification)
- **Responsibility:** Obligations for carrying out the job (based on job description)
- **Complexity:** Complexity of the tasks in the job.

Under the job evaluation, job ranking method, job grading method, factor comparison method, point method, etc. are used for determining employees' compensation.

Job Evaluation Methods

Some of the important job evaluation methods are as follows.

a. **Job Ranking Method**

Perhaps the simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of their value or merit to the organization. Jobs can also be arranged according to the relative difficulty in performing them.

The jobs are examined as a whole rather than on the basis of important factors in the job; the job at the top of the list has the highest value and obviously the job at the bottom of the list will have the lowest value.

Jobs are usually ranked in each department and then the departmental rankings are combined to develop an organizational ranking. The following table is a hypothetical illustration of ranking of jobs.

Array of Jobs according to the Ranking Method

Jobs	Monthly Salaries
1. Accountant	Rs 30000
2. Accounts clerk	Rs 25000
3. Purchase assistant	Rs 17000
4. Machine operator	Rs 14000
5. Typist	Rs 9000
6. Office boy	Rs 8000

The variation in payment of salaries depends on the variation of the nature of the job performed by the employees. The ranking method is simple to understand and practice and it is best suited for a small organization. Its simplicity however works to its disadvantage in big organizations because rankings are difficult to develop in a large, complex organization. Moreover, this kind of ranking is highly subjective in nature and may offend many employees.

b. **Job Grading Method**

It is also known as job classification. It is a simple widely used non-quantitative method in which a predetermined number of job groups or job classes are established and jobs are assigned to these classifications. This method places groups of jobs into job classes or job grades. Separate classes may include office, clerical, managerial, personnel, etc. Following is a brief description of such a classification in an office.

- **Class I - Executives:** Further classification under this category may be Office Manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.
- **Class II - Skilled workers:** Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.

- **Class III - Semiskilled workers:** Under this category, may come typists, Machine-operators, Switchboard operator etc.
- **Class IV- Semiskilled workers:** This category comprises Drafters, File-clerks, Office boys, etc.

The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favour of the method is that it takes into account all the factors that a job comprises. This system can be effectively used for a variety of jobs.

The weaknesses of the job classification method are:

- Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job carries.
- It is difficult to write all-inclusive descriptions of a grade.
- The method oversimplifies sharp differences between different jobs and different grades.
- When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgments.

c. Factor Comparison Method

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable.

Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, responsibility, supervisory responsibility, working conditions and other such factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighted by importance (the most important factor, for instance, mental effort, receives the highest weight).

In this method, wages are assigned to the job in comparison to its ranking on each job factor. The steps involved in factor comparison method may be briefly stated thus:

- Select key jobs (say 15 to 20), representing wage/salary levels across the organization. The selected jobs must represent as many departments as possible.
- Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).
- Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
- Assign money value to such factor and determine the wage rates for each key job.
- The wage rate for a job is apportioned along the identified factors.
- All other jobs are compared with the list of key jobs and wage rates are determined.

An example of how the factor comparison method works is given below:

Key Jobs	Factors for Comparison				
	Mental Requirements	Physical Requirements	Skills Requirements	Responsibility	Working Conditions
A					
B					
C					
D					
E					

d. Point Method

This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritizing each factor in order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus[9]:

- Determine compensable factors. Determine the factors common to all the identified jobs such as skill, effort, responsibility, working conditions etc. They are job characteristics deemed important by the organization.

Each factor is further sub divided into sub-factors. For example, skill is sub-divided into education and experience.

- **Define the levels of factors.** Several levels are allotted for each factor. They reflect different degrees within each factor.
- **Allocate points to sub-factors and levels.** Points are based on their relative importance. A point system matrix is constructed. It serves as a rating scale. This step assigns weights to each sub-factor and level.
- **Develop point system matrix.** The jobs are ranked on the basis of total points to determine the relative value of each job.

Table 6.1 Compensable Factors and Points

Compensable Factors	Levels (Degrees)			
	Minimum 1	Low 2	Moderate 3	High 4
1. Responsibility				
a. Supervisory persons	2	10	15	20
b. Material/Product	3	10	15	20
c. Safety of others	5	10	15	20
d. Work of others	5	10	15	20
2. Skill				
a. Education	14	28	42	56
b. Experience	12	44	66	88
c. Knowledge	14	28	42	56
3. Effort				
a. Physical	10	20	30	40
b. Mental	5	10	15	20
4. Job Conditions				
a. Working conditions	10	20	30	40
b. Hazards	5	10	15	20
Total Points (100)	100	200	300	400

Advantages

- The point method forces raters to look into all key factors and sub-factors of a job.
- Point values are assigned to all factors in a systematic way, eliminating bias at every stage.
- It is reliable because raters using similar criteria would get more or less similar answers. The methodology underlying the approach contributes to a minimum of rating error.
- It accounts for differences in wage rates for various jobs on the strength of job factors. Jobs may change over time.

for the rating scales established under the point method are well-reflected.

Disadvantages

- The point method is complex.
- Preparing a manual for various jobs, fixing values for factors and sub-factors, establishing wage rates for different grades etc., is a time consuming process.
- According to **Dessler and Robbins**, "the key criteria must be carefully and clearly identified, degrees of factors have to be agreed upon in terms that mean the same to all raters, the weight of each criterion has to be established and point values must be assigned to degrees". This may be too difficult, especially while evaluating managerial jobs where the nature of work (varied, complex, novel) is such that it cannot be expressed in quantifiable numbers.

Compensation Survey

It refers to collecting information on prevailing market rates through different channels. The information can be collected through formal and informal surveys. Under compensation survey, it is tried to find out what other employers in the market are paying for specific jobs.

The sources of data for compensation surveys can be as follows:

- **Published surveys:** They consist of Labour Department, Bureau of Statistics and employer associations publish surveys relating to wages and salaries. Internet is also a good source.
- **Consultants and agencies:** They can be hired to conduct surveys based on primary data. However, survey methodology should be properly designed.
- **Advertisements and applicants:** Job advertisements indicate pay rates for various jobs. Applications indicate what they are being paid in their current jobs.
- **Informal communication:** It is with other employers and employees about compensation matters.

The information obtained from such surveys serves as the benchmark for comparing compensation levels.

Pricing of Job (Establish Compensation Structure)

Under this, different pay levels are determined based on the job of each job. It shows pay ranges within each grade. Each

grade has a defined maximum and minimum. The pay structure for a job is determined by ranking through the job evaluation process, going market rates, legal factors and union pressures, creation of job grades, etc.

Pricing of job or establish compensation structure consists of two activities such as: pay level and pay grade.

a. **Pay Level**

Pay level is determined depending upon the point range and the grade of each job. Higher the grade, higher will be the pay level. In order to set a pay level, the points assigned and the compensation survey rates are combined through the use of a graph called scattergram.

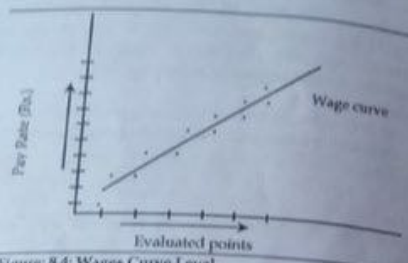


Figure: 8.4: Wages Curve Level

As shown in the following figure, the vertical axis represents pay rates and horizontal axis is used for points. The total job points and pay rates for each key job are plotted to obtain the scattergram. Since each job may have different points, there would be numerous pay levels. In order to reduce these different levels to a manageable number wage or salary trend line is drawn by plotting job points and pay rates[11].

b. **Pay Grade**

A pay grade comprises jobs of approximately equal difficulty or importance. After determining the pay level for different jobs, various pay levels are combined to have manageable number of pay grades. Jobs that are similar in terms of classes, grades, or points are grouped together. Pay grades denote the cluster of jobs, which have pay levels within certain specified limits indicating the minimum and maximum prices. It can be shown in the following figure.

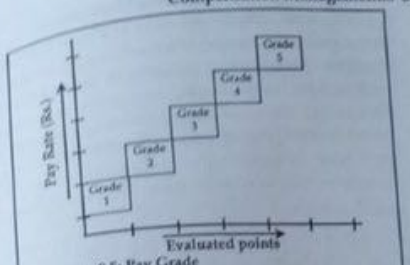


Figure: 8.5: Pay Grade

As shown in above figure, each pay grade has a range and that the range overlaps. Most organizations create a degree of overlap between grades; employees who reach the top of their grade can only increase their pay by moving to a higher grade[12].

Current Trends in Compensation Management

The predominant approach to employee compensation is still the job-based system. Such a system often fails to reward employees for their skills or the knowledge they posses or to encourage them to learn a new job-related skills. Hence, recently, the following emerging trends have been seen in compensation practices:

1. **Skilled/Competence Based Pay**

Skill-based pay provides employees with a direct link between their pay progression and the skills they have acquired and can use effectively. It focuses on what skills the business wants to pay for and what employees must do to demonstrate them. It is therefore a people-based rather than a job-based approach to pay. Rewards are related to the employee's ability to apply a wider range or a higher level of skills to different jobs or tasks. It is not linked simply to the scope of a defined job or a prescribed set of tasks.

A growing number of organizations are paying employees for the competencies they have rather than just for the specific tasks being performed. Paying for competencies rewards employees who are more versatile and have continued to develop their competencies. In knowledge-based pay (KBP) or skill-based pay

GSP3 systems, employees start at a lower level of pay and receive increases as they learn to do other jobs or gain other skills and training from two-color, four-color, and six-color presses. The more colors, the more skill required of the press operators. Under a GSP or GSP3 system, press operators increase their pay as they learn how to operate the more complex presses, even though sometimes they may be running only two-color jobs.

2. **Broad-Banding**

It is a practice of using fewer pay grades having broader ranges than traditional compensation systems. It involves combining existing pay grades and ranges into fewer, wider bands.

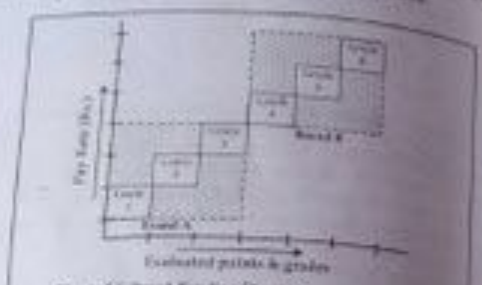


Figure 8.6 Broad-Banding Structure

There are several reasons why it is beneficial to reduce the number of pay grades and broaden pay ranges.

a. Broad-banding is more consistent with the flattening of organizational levels and the growing use of jobs that are multidimensional. With fewer bands and broader ranges, employees can shift responsibilities as market conditions and organizational needs change. Traditional questions from employees about when a promotion to a new grade occurs and what pay adjustments will be made for temporarily performing some new job responsibilities, are unnecessary.

b. Employee career development can be enhanced when the artificial barriers of numerous pay grades are removed. With broad-banding, many of the control mechanisms traditionally

enforced by HR departments also are removed, and authority for many compensation decisions is decentralized to the operating managers.

Comparable Worth

Refers to the requirement to pay men and women equal wages for jobs of comparable value to the employer. In its broadest sense, comparable worth means comparing quite dissimilar jobs, such as nurses to fire truck mechanics or secretaries to sales-men. This trend is important because employees get unfair pay where the relative worth of job is same in the job evaluation.

Pay Secrecy

These-a-days most of the organizations adopt secret pay scale. Government organizations and public enterprises strictly follow the rules and regulations developed by government. So their pay mechanism is systematic and more or less transparent. They also apply incentives, benefits and services. But in private sector organizations, their pay mechanism is not transparent. Currently, secret pay mechanisms have been extensively adopted throughout many private organizations and for all levels of employees. Mainly, family-based companies, school, college and small scale organization are practicing pay secrecy.

Employee Participation

Employee participation is today's reality in organizations in areas of determining pay and benefits. Increasing bargaining power of trade unions, consciousness about transparency, etc., lead to employee participation in pay determination.

Take a Look: Some Current Trends in Compensation

Variable pay plans

It is growing compensation approach that is used throughout the organization. Traditionally in many organizations, most employees receive compensation based either on wages or salaries. Except for executives, few individuals receive additional pay tied to performance except for annual raises in their base pay amounts.

Currently, variable pay programs have been extensively adopted throughout many organizations and for all levels of employees. Widespread use of various incentive plans, team bonuses, organizational gain sharing programs, and other designs have been implemented in order to link growth in compensation to results.

- **Team-based compensation**

Another compensation design issue that has grown in importance is team-based compensation. As organizations have shifted to using work teams, a logical concern is how to develop compensation programs that build on the team concept. It becomes more trickier because organizations are compensating individuals who work in teams. Paying everyone on teams the same amount even though their skills, differing competencies and levels of performance obviously may create equity concerns for individual employees.

5. Incentive Plans

Meaning of Incentive

Incentives are variable rewards granted according to variation in the achievement of specific results. They are direct compensation for performance. Usually, organizations provide incentives in addition to wages and salaries. Incentives are generally monetary benefits paid to employees for their outstanding performance. Incentives are the variable 'pay' linked to employee performance.

Wendell French – "Incentive plans provide financial or non-financial rewards to employees who make substantial contribution to organizational effectiveness."

Milton Rock – "Incentives are variable rewards granted according to variation in the achievement or specific results."

Ricky W. Griffin – "Incentives represent special compensation opportunities that are usually tied to performance. Sales commission and bonus are among the most common incentives."

Thus, incentives are pay for performance. They link rewards to performance to enhance productivity. They are generally monetary benefits paid to employees for outstanding performance. Incentives are important for inducement and motivation of employees for higher efficiency and greater output. Incentive schemes may be short or long-term. Schemes based on individual performance, such as weekly or monthly production bonuses or commission on sales, generally offer a short-term incentive. Longer-term schemes such as profit sharing and share option schemes may not provide as much incentive to individual workers as schemes based on personal performance. They can, however, help to generate in workers a long-term interest in the success of the organization.

...Basic Types of Incentives

...has a motivational power, and may be broadly grouped into

...financial incentives

...Use of money as incentive are in form of wages and salaries, bonus, retirement, benefits, medical reimbursement, etc. Money plays a significant role in satisfying physiological, security and social needs.

...Non-financial incentive

...following non-financial incentives must be effectively used.

- ...appreciation of work done
- ...competition
- ...knowledge of result
- ...worker's participation in Management
- ...Opportunity for growth
- ...suggestion system
- ...job enrichment

...ose of Incentives

...are monetary benefits paid to employees in recognition of ...outstanding performance. They are defined as variable rewards ...according to variations in the achievement of specific results. ...goals or purpose of incentives are as follows.

Motivation

Incentives increase expectancy that performance will be followed by reward. If money has relevance to an individual, then expectancy will increase motivation.

Retention

Incentives motivate high performers to stay with the organization. They also attract new capable employees.

Cost Saving

Incentives are one of the factors which affect the performance of the employees. They link compensation to productivity results. This leads to cost saving.

Goal Achievement

Incentives mean that psychological excitement which makes the employees efficient. They encourage employees to achieve specific organizational goals related to profits, costs, quality, etc. They also help achieve personal goals of employees.

Forms of Incentive Plans

The incentive plans can be of the following forms:

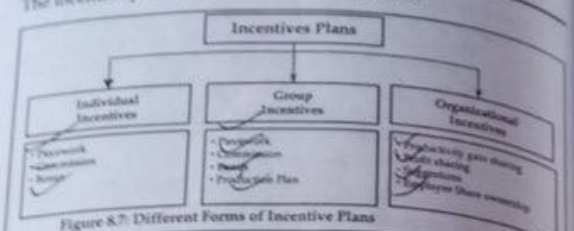


Figure 8.7: Different Forms of Incentive Plans

1. **Individual Incentives Plan**

Individual incentive plans are the most widely used pay for performance plans in industry. They link rewards directly to the performance of individual employees. These pay plans attempt to relate individual effort to pay. Popular approaches include:

a. **Piecework Plan**

It is the oldest and still the most commonly used incentive plan. This incentive plan is used for production workers. It calculates the pay based on the production units. Piecework can be of two types:

- **Straight Piecework:** In this plan, employees receive a certain rate for each unit produced. Their compensation is determined by the number of units they produce during a pay period.

  Piece wage = Number of units produced x rate per unit

- **Differential Piecework:** In this method, two rates are used. Normal rate is given for the standard output. Another higher rate is given for output above the standard.

b. **Commission**

It is commonly used in sales job. It is based on sales performance in terms of value. Usually sales persons are paid commission basis – either straight commission or a base salary plus commission.

- **Straight Commission:** A specified percentage of commission on sales is provided to the employees as incentives. For example 15% of all sales.
- **Salary plus Commission:** In this type of method, the basic salary is guaranteed and a certain percentage of commission is provided based on sales position. For example, Rs.10,000 per month as base salary plus 5 percent of all sales.

Bonus

It is one-time lump-sum payment for meeting a performance goal. Bonus schemes based on contribution to productivity and profitability according to a predetermined formula with gains sometimes distributed among the individual employees on the basis of merit rating. It is used for managerial and professional employees.

Bonus can be:

- **Spot Bonus:** It is given 'on the spot'. Cash awards to individuals for extraordinary performance is given on the spot. For example a sales representative might receive a spot bonus for working long hours to fill a new customer's large order.
- **End-of-Year Bonus:** It is given to individual attaining objectives agreed under performance contract.
- **Production Bonus:** It is based on cost saving or time saving associated with higher productive.

Advantage of Individual Incentives

- Administration of individual incentives is simple because incentives can be given after assessment of the individual's work.
- Each and every body gets the return in accordance with the work.
- Person who do the work with less efficiency are not entitled to incentives.

Disadvantage of Individual Incentives

- The employees inclination is more on quantity as compared to quality.
- Team work is hampered. Employees compete with one another.

- Rigidity of rules.
- Adverse effect of spoiling production upon the health of the employee.
- Employees have uncertain standard of living under straight commission plan.
- Bonus is tied to organizational performance. Employees do not get bonus when organizational performance is down.

2. **Group Incentives Plan**

Under this incentive plan, a production target is set as the standard of performance for a group of employees. If the employees in the group perform better or more than the standard, all members of the group receive incentives. Mainly in this incentive plan, reward is linked to the standard performance of a group of employees. Group incentive plan is useful where output of individual employee cannot be measured and tasks are interdependent and require teamwork.

The purpose of group incentive plan is to encourage the teamwork and cooperation needed to attain high productivity or performance. It consists of follows.

a. **Piecework Plan:** It is used for a group of production workers.

b. **Commission:** It is used for a group of sales personnel.

c. **Bonus:** It is used for a group of managerial or professional employees.

d. **Production Plan:** Under it members of group receive regular pay and the bonus is tied with the level of performance and profit.

Advantage of Group Incentives

- This plan enables employees to share in the benefits of improved efficiency realized by major organizational units or various individual work teams.
- This plan encourages a cooperative spirit among all employees and reward them for their total contribution to the organization.
- Problem of absenteeism and late can be removed due to group incentives.

- It reduces production cost.
- It reduces the conflict and confusion among group members.
- Group incentives lead to better control.

Disadvantage of Group Incentives

- Group members expect greater than average rewards, which lead to internal conflict within a team.
- No reward is based solely on individual's own effort.
- Efficient employees get penalized for the inefficiency of other members in the group.
- Each individual's effort is not properly rewarded. Some individuals may have tendency to let other in the group do work for them.
- Since the overall performance depends on group effort the conflict and disagreement may be seen in the work place among team members.

Organizational Incentives Plan

Organizational incentive plans reward employees on the basis of the success of the organization over a specified time period. These plans seek to promote a 'culture of ownership' by developing a sense of belongingness, cooperation and teamwork among all employees. There are four basic types of organizational incentive plans: productivity gain sharing plan, profit sharing plan, suggestions plan and employee share ownership plan.

a. **Productivity Gain Sharing Plan**

It is based on the productivity achieved by the organization. Under this type of incentive, it is assumed that organizational productivity can be increased through improvement in labour force, reducing wastages, and eliminating unnecessary costs. Add the saving from the improvement in productivity is distributed as gain among the employees. Hence, the incentive is provided based on the evaluation of overall productivity of the organization. It allows all employees share overall bonus payment. This helps to bring about the cooperation between management and employees through the sharing of problems, goals and

ideas. It also helps to increase production efficiency and ensures employee participation. The drawbacks of this plan are: (a) It is not useful if workers are unwilling to focus on production problems, and (b) communication gaps between union and management may contrain the administration and create conflicts.

b. **Profit Sharing Plan**

Profit sharing is a scheme whereby employers undertake to pay a particular portion of net profits to their employees on compliance with certain service conditions and qualifications. The purpose of introducing profit sharing schemes has been mainly to strengthen the loyalty of employees to the firm by offering them an annual bonus (over and above normal wages) provided they are on the service rolls of the firm for a definite period. The share of profit of the worker may be given in cash or in the form of shares in the company. These shares are called bonus shares.

Profit sharing can be of following types:

- **Current Distribution:** Under this plan, some percentage of net profit such as 5%, 10%, 15%, etc., is distributed in cash generally on an annual basis. It can be in the form of equity shares also. The basis can be salary level or fixed sum to all employees.
- **Deferred Distribution:** Under this plan, some percentage of net profit is credited annually to the account of the individual employee. The payment is made on retirement or termination.
- **Combined Distribution:** This plan combines current distribution and deferred distribution plan. Under this plan out of total profit sharing (lets say 10%) some portion is distribution in cash (say 5%) and remaining portion (say 5%) is credited annually to the account of the individual employee. The payment is made on retirement or termination.

Advantages of Profit Sharing Plan

- The idea of sharing the profits inspires the management and the worker to be sincere, devoted and loyal to the firm.

- It helps in supplementing the remuneration of workers and enables them to lead a rich life.
- It is likely to induce motivation in the workers and other staff for quicker and better work so that profits of the firm are increased which in turn increases the share of worker therein.
- Workers do not require close supervision, as they are self-motivated to put in extra labour for the prosperity of the firm.
- It attracts talented people to join the ranks of a firm with a view to share the profits.

Disadvantages of Profit Sharing Plan

- Profits sharing scheme is, in practice, a fair-weather plan. Workers may get nothing if the business does not succeed.
- Management may dress up profit figures and deprive the workers of their legitimate share in profits.
- Workers tend to develop loyalty toward firm discounting their loyalty toward trade unions, thus impairing the solidarity of trade unions.
- Fixation of worker's share in the profits of firm may prove to be a conflict in the long run.

c. **Suggestions Plan**

Under it, employees are rewarded for providing useful ideas for improving organisational effectiveness. It means, the employees are rewarded for their valuable comments, ideas and suggestions. Suggestions can be for reducing costs, improving quality and productivity, increasing safety, etc. The reward can be provided either in terms of cash or kind.

d. **Employee Share Ownership Plan (ESOP)**

Under it, employees get a sense of ownership and share in the success of the organisation. Employee share (stock) ownership plans originated in the USA in early 90s. Such plans have not gained popularity in Nepal till recently, due to the absence of legal provisions in the Companies Act covering stock options.

Under employee stock option plan, the eligible employees are allotted company's shares below the market price. The term stock option implies the right of an eligible employee to purchase a certain amount of stock in future at an agreed price. The eligibility criteria may include length of service, contribution to the department/division where the employee works, etc. The company may even permit employees to pay the price of the stock allotted to them in installments or even advance money to be recovered from their salary every month. The allotted shares are generally held in trust and transferred to the name of the employee whenever he or she decides to exercise the option. The stock option empowers the employee to participate in the growth of the company as a part owner. It also helps the company to retain talented employees and make them more committed to the job.

Advantages

- Stock options are a tremendous motivator because they directly link performance to the market place. The underlying rationale is to let employees add value to a company and benefit from it on the same terms as any other provider of risk-capital.
- Employees remain loyal and committed to the company. To become part owners, everyone has to stay for a while, contribute their best and then share the resultant gains according to an agreed criteria. Stock options motivate people to give their best to the company because individual performances will translate into share price increases only if it is part of a larger collective effort.
- By transforming employee into a stockholder, stock options foster a long-term bond between the employee and the company. Employees begin to look at themselves as real owners in place of just paid servants of a company. ESOPs give employees a *'piece of the action'* so that they can share in the growth and profitability of their company. Everyone also loves the concept of employee ownership as a kind of *"People's capitalism."*
- ESOPs underscore the importance of team effort among employees.

- Better industrial relations, reduced employee turnover, lesser supervision, increased dividend income, etc., are other incidental benefits.

Disadvantages

- Only profitable companies can use the tool.
- Stock prices do not always reflect fundamentals.
- Falling share price could mean losses for employees.
- The inability to cash in quickly can dampen interest.
- Lack of transparency can earn charges of favouritism.

Union Influence on Compensation Programmes

Union is an organization of employees that works in the interest of employees and secures a diverse range of benefits for them. One of the functions of union is to bargain collectively over conditions of employment, the most important of which is compensation. It negotiates with the management during negotiations for pay increase and improvement in the working conditions. In this regards, the union influences compensation programmes in the following ways:

Representation in Wage Committee

Union influences in compensation programmes by representing in wage committee. The union guarantees the minimum income of the employees.

Pressure to Increase Salary and Wage

Whenever there will be an increase in the consumer price index, union pressures managements to follow the increase by adjusting the prevailing wage or salary rate. This is also called cost-of-living adjustment.

Influence to Follow a Two-Tired Wage System

Union influences in the process of wage determination by fixing a two-tired wage system. According to this system, employees hired after a specific date will receive lower wages than their senior peers working on similarly types jobs. This system is viewed as less painful than wage freezes and salary cuts for the existing employees.

Influence on Collective Bargaining

Union engages in collective bargaining for the determination of an efficient pay system. It helps to fix the terms of employment regarding compensation management by means of bargaining.

between employees and the employer/management. The organized body of employees is able to get high compensation for their work; hence, an organized union influences the process of compensation management to a large extent.

Implementation of Compensation Decision

Union helps to design organizational pay plan for the employees. It takes part in preparing incentive/pay plans. It influences on compensation programme by implementing compensation decision.

Job Security

Union also influences compensation management decisions by making demands for greater job security rather than a small increase in pay and incentives. Union representatives demand from the management skill training for members for their longer term job security instead of a certain percent rise in incentive.

Industrial Actions

Union resorts to industrial actions such as strikes, lockouts, sit-ins, go slow, work to rule to increase workers compensation and the like. These are the ultimate actions that will be taken up by the union in order to protect the interest of workers. Initially they try to act to fulfill their demand through collective bargaining and participation in management. But in case of refusal of their demands, they resort such industrial actions.

Work to Develop Trust between Union and Management

Union works closely with the management. Management also invites union representatives in job evaluation and to make other major HR-related decisions. With this practice, the trust between the unions and management increases and the influence of unions also increases in compensation programmes.

Compensation Practices in Nepalese Organizations

The practices of compensation in Nepalese organizations can be discussed as follows:

Although it is understood that pay and benefits have an important effect on factors like productivity and commitment, they are the most dissatisfying factors in Nepalese

organizations. Compensation management in Nepal is largely concerned with pay, benefits and services. The role of direct compensation is important compared to indirect compensation in Nepalese organizations.

In government organizations, the goal of compensation management is mainly legal compliance. Minimum wage and bonus are paid to the workers and employees according to law. They strictly follow the rules and regulations developed by government. Job grades are highly prescribed for civil servant employees. Monthly salary and incentives are low in government organizations. But benefits, services and perquisites are higher as compared to private organizations in Nepal. It is similar in the case with police and army officers.

In practice, the government, as an employer, makes an announcement for any pay increments and benefits. In some cases, unions, at enterprise level, following the process of the Labour Act, pressurizes the government and employers to increase pay and incentives.

In terms of compensation management practices in Public enterprises (PEs), they are using government pay decisions as a benchmark to make their pay decisions. But pay and benefits are not performance-based, they are rather based on ad-hoc decision of the government in public enterprises. Due to perennial losses of the majority of these organizations in the past, these organizations are unable to offer a sound reward package. Nepotism and favoritism are common in these organizations.

There is no uniformity in compensation management practice and pay structure in private sector organizations. Pay level in these organizations is not satisfactory. They just try to pay as minimum as possible though many of them deserve to pay higher than that. They try to satisfy legal compliance only. Many private sector organizations even pay lower than the minimum wage. Services and perquisites are just for name sake. But most of them have applied incentive pay system. Job grades in private sector organizations differ from one organization to organization. But job grades and pay rates are generally taken as points of reference in these organizations.

... practices in Nepal, private banks and financial ... are the most attractive ones to job applicants and ... employees. But they too are not much attractive in ... of long-term benefits and to the junior and lower class employees. They offer good salary and wages, incentives, bonuses, services and perquisites especially to officer level employees.

Joint venture banks (JVBs) offer pay and benefits above the government rates. In these organizations a certain percent of pay is intact with the level of performance. They offer the incentive packages more than other private and public organizations do. The reason for the selective pay and incentive systems in these organizations is due to their better financial position in comparison to public enterprises in terms of economy in their scale of operations.

Talking about incentive and social welfare, piece rate, commission and bonus is used for individual incentive. It is based on performance. Bonus is used for group and organizational incentives. The Bonus Act has limited the payment of bonus at 10% of net profit. Social welfare provisions are specified by Labour Act, 1992. Legally, gender discrimination is not allowed. But some employers pay women low rates compared to male workers. This is prevalent in private sector establishments, such as garment & carpet factories, construction and tea estates.

In private sector, there has been an increasing use of performance-based and variable incentive systems. On a limited scale, performance-based and variable incentive systems have been introduced by some of the organizations. Normally, these forms of incentive systems are used to motivate and increase the commitment of employees in the competitive society to increase productivity.

Conclusion

Even though government rules, regulations and acts have prescribed compensation systems for employees in Nepal, compensation management practices differ among government, public enterprises and private sector organizations in Nepal. Specially for the civil servants, the Civil Service Act has provided compensation systems in

... of pay, allowances, medical expenses, pension, gratuity, allowance, one month's extra salary for "Dashain" festival, ... insurance, payment in lieu of accumulated leave, providence fund, ... insurance, travel insurance, etc. Likewise, the Labour Act, ... also prescribed compensation system for workers and employees ... range of pay and allowances, welfare fund, compensation, ... gratuity, provident fund, medical expenses, leave ... for specified accumulated leave, housing facilities, day ... for the children of women workers, etc.

... the government makes an announcement for any pay ... other benefits for employees in Nepal. All other firms ... with the minimum salary and wages as fixed by ... government. However, individual firms can pay more than ... rate depending on workforce productivity and performance.

... compensation management in Nepal has remained ... lack of professional management in family-oriented enterprises ... contributed to this state of affairs. It is hoped that the ... companies will have a positive demonstration effect ... compensation management in Nepalese organizations in future.

Summary

Conceptual Meaning of Compensation

... refers to all forms of financial returns and tangible benefits that employees receive as part of an employment relationship. Financial compensation is either direct or indirect. Direct compensation consists of the power receives in the form of wages, salaries, commissions, etc. Indirect compensation consists of the like prizes, sick leave, pensions, paid holiday, fringe benefits and welfare).

Meaning of Compensation Management

... management refers to the establishment and implementation of ... of salary and wages' administration. It consists of designing a cost effective ... of attract, retain, and motivate the competent employees in the organization.

Types of Compensation

Direct Compensation

- Pay or Salary
- Incentives

Indirect Compensation

- Benefits
- Services

1. Concept and Meaning of Discipline

Maintenance of harmonious human relations in an organization depends upon the promotion and maintenance of discipline. No organization can prosper without discipline. Discipline is the regulation and modulation of human activities to produce a controlled performance. The real purpose of discipline is quite simple. It is to encourage employees to conform to established standards of job performance and to behave sensibly and safely at work[1]. Discipline is essential to all organized group action. It is the force that prompts individuals or groups to observe the rules, regulations and procedures which are deemed or believed to be necessary for the effective functioning of an organization. It regulates the human behaviour.

Dessler and Robbins – "Discipline refers to a condition in the organization where employees conduct themselves in accordance with organization's rules and standards of acceptable behaviour."

Byars and Rue – "Organizational discipline is action taken against an employee when the employee has violated an organizational rule or when the employee's performance has deteriorated to the point where corrective action is needed."

Gary Dessler – "Discipline is a procedure that corrects or punishes a subordinate because a rule of procedure has been violated."

W.R. Spiegel and Edward Sobelge – "Discipline is the force that promotes an individual or groups to observe rules, standards and procedures deemed necessary to attainment of an objective."

Moody and Noe – "Discipline refers to the state of employee's self control and orderly conduct present within a organization."

Thus, it can be said that discipline means orderliness in any field of activities. It implies the absence of irregularity, confusion, disorder and chaos in human behavior and activities. It is a condition or attitude, prevailing among the employees with respect to rules and regulations of an organization. It is the situation in which all the employees follow the rules, regulations and procedure of the organization. A disciplined workforce can meet the challenges of organization and contribute to the organizational objectives in a better way[2]. Discipline can pave the way for cooperation among the employees and result in good human relations. Hence, employee discipline is needed for effective human resource management.

... distinguish the major aspects of discipline.

Positive Discipline

... of discipline subordinates comply with the rules not ... fear of punishment, but from the desire to cooperate in achieving the common goal of the organization. In positive discipline, willingness to comply is treat important. The employee here is on cooperative efforts to secure compliance to organizational norms. It promotes mutual satisfaction, reduces ... of emotional conflict, and the increased cooperation and coordination reduces the need for hard authority. This approach to discipline will help organization to achieve both individual needs of the subordinates and organizational goals. It would therefore motivate subordinates to work with zeal and fulfill their needs. Positive discipline, in other words, calls for self-motivation by subordinates of the objectives and expected norms of behaviour in the organization. The positive concept of discipline assumes a certain degree of self-discipline.

Negative Discipline

Negative discipline involves force or an outward influence. It is the traditional aspect of discipline and is associated with ensuring that subordinates adhere strictly to rules, and punishment is imposed in the event of disobedience or indiscipline. In this perspective strict penalties are levied for the violation of rules. It is, in fact, the fear of punishment that works as a deterrent in the mind of the subordinates. Approaching discipline from this kind of a perspective has been proving increasingly ineffective.

Objectives of Discipline

The main objective of discipline is to encourage employees to have ... at work. Effective discipline is a sign of sound human and ... relations and organizational health. Some of the major ... of discipline are as follows:

- To obtain a voluntary acceptance of organizational rules, regulations, norms and values so that the organizational activities are achieved economically.
- To impart the environment of certainty despite the differences in individual backgrounds, cultures, values and experiences, and other related organizational changes.
- To develop the feeling of adjustment so that they work according to situations.

To provide direction to the employees and obtain cooperation from them.

To promote the environment of respect for human personality and harmonious labour relations.

To increase the efficiency of the organization so that it can give maximum production on minimum cost.

Discipline is necessary and essential for the smooth running of an organization and for the maintenance of industrial peace which is very foundation of industrial democracy without discipline an organization would prosper.

3. Types of Disciplinary Problems

Employees that do not follow rules, regulations, ethics, norms, values and standards of acceptable behavior create disciplinary problems in organizations. The list of problems could be several dozens that could lead to disciplinary action in organizations. The most common disciplinary problems can be classified into four categories as given below:

Figure 4.1: Types of Disciplinary Problems

1. Attendance-related Problems

One of the serious disciplinary problems facing today's managers is undoubtedly attendance. It is much more serious and wide spread problem. The examples of attendance-related problems are as follows:

- Arriving late for work or office
- Absenteeism
- Abuse of sick leave
- Habitual Tardiness
- Leaving work without permission, etc.

The main reasons for attendance-related problem are lack of goal harmony, changing attitudes toward employment, abuse of

work and collective bargaining agreements and legal mandates.

Job Behaviours-related Problems

The second category of disciplinary problems covers job behaviours. Some examples of on-the-job behaviours are:

- Insubordination
- Drinking
- Gambling
- Failure to use safety devices
- Carelessness
- Destruction of organizational property
- Sexually harassing another employee
- Sleeping on the job
- Abuse of alcohol and drugs, etc.

Dishonesty-related Problems

They are also crucial disciplinary problems in an organization. Some examples of dishonesty are:

- Unauthorized selling of company's property
- Stealing from the company
- Falsification of information
- Promotion of gambling on company's property
- Punching time card of other employees
- Concealing defective work
- Terrorism and arson, etc.

Outside Activities-related Problems

They are the disciplinary problems result from activities of employees outside of their work. They either affect on-the-job performance or reflect negatively on the organization's image. Some examples of outside activities are:

- Unauthorized strike activity
- Working for a competing organization: leaking confidential information to competitors
- Outside criminal activities: for example smuggling, murder.
- Wage garnishment: withholding wages of an employee for payment of his debt to a creditor
- Making speeches: they are embracing speeches to the organization.
- Criticizing management in public, etc.

Have a Look: Categories of Specific Disciplinary Problems

Type of Problem	Infraction
Attendance	• Tardiness • Unexcused absence • Leaving without permission
On-the-job behaviours	• Malicious destruction of organizational property • Gross insubordination • Carrying a concealed weapon • Attacking another employee with intention to harm seriously • Intoxicated on the job/substance abuse • Sexually harassing another employee • Failure to obey safety rules • Deliberate work • Sleeping on the job • Failure to report accidents • Loafing, Gambling on the job • Fighting, Horseplay
Dishonesty	• Stealing • Deliberate falsification of employment record • Clock-punching other's timecard • Concealing defective work • Subversive activities
Outside activities	• Unauthorized strike activity • Outside criminal activities • Moge gamblers • Working for a competing company

Source: Dessler, G.K. and Rizzone, S.P. (2008). **Human Resource Management**. New Delhi: Pearson.

4. Guidelines in Administering Discipline

Discipline regulates employee behaviour through adherence to rules and standards of acceptable behaviour. It should be effectively administered in organization. But administering discipline is a challenging job for human resource managers. There should be adequate mechanisms for initiating disciplinary action against employees in the organization. The following general guidelines should be followed while administering discipline:

1. **Corrective**

The objective of disciplinary action should be to correct an employee's unfavourable behaviour rather than administering simple punishment. Punishment is a negative discipline that forces to obey orders and to perform their tasks in accordance

with the rules and regulations that have been laid down so that they may avoid penalties. Then, punishment assumes only the minimum standards of performance on the part of employees. Though punishment may be necessary, one should never forget the eventual objective. Thus, disciplinary action should be corrective.

2. **Progressive**

Disciplinary actions should be progressive. Management should follow a series of steps, with a necessary sequence of punishment. It should follow a procedure of progressive approach that proceeds from an oral warning to a written warning to suspension to dismissal. Dismissal action should be taken for the most serious violations of discipline. It should not be taken for the first offence. The overall goal of progressive discipline is to correct problems early and avoid the last-resort step of dismissal.

3. **Immediate Action**

It means that any disciplinary action should be quick reaction, immediate thereby leaving no ignorance of cause and effect. Under it, 'red hot stove' rules should be followed. This rule draws similarity between touching a hot stove and undergoing discipline.

According to the **Red Hot Stove rule**, disciplinary action should have the following consequences:

a. **Burns immediately.** If disciplinary action is to be taken, it must occur immediately so the individual will understand the reasons for it. With the passage of time, people have the tendency to convince themselves that they are not at fault.

b. **Provides warning.** It is very important to provide adequate warning that punishment will follow unacceptable behaviour. As you move closer to a hot stove, you are warned by its heat that you will be burned if you touch it.

c. **Gives consistent punishment.** Disciplinary action should also be consistent in that everyone who performs the same act will be punished accordingly. As with a hot stove, each person who touches it is burned the same.

d. **Burns impersonally.** Disciplinary action should be impersonal. There are no favourites when this approach is followed.

4. **Unbiased**

Disciplinary actions should follow principles of natural justice and they should be impersonal. The actions should be unbiased. There should not be any favouritism when disciplinary actions are followed. Whatever disciplinary actions a manager chooses to take, the actions should be consistent for all employees. The employees should be provided the chance to explain their positions so that the real causes of problems can be found out. They should be patiently heard.

5. **Effective**

The disciplinary actions should be effective. They should immediately follow the violation of discipline. The actions should be fair. They should be consistent for the same types of offences. The actions should be impersonal. They should be directed at the offence, not the employee. The actions should be transparent.

Have a Look: Discipline Guidelines

- *Make sure the evidence supports the charge of employee wrongdoing. In one study, "the employer's evidence did not support the charge or employee wrongdoing" was the reason arbitrators gave most often for reversing discharged employees or for reducing disciplinary suspensions.*
- *Ensure that the employee' due process rights are protected. Arbitrators normally reverse discharges and suspensions that are imposed in a manner that violates basic notions of fairness or employee due process procedures. For example, follow established progressive discipline procedures, and don't deny the employee an opportunity to tell his or her side of the story.*
- *The discipline should be in line with the way management usually responds to similar incidents.*
- *Adequately warn the employee of the disciplinary consequences for his or her alleged misconduct.*
- *The rule that allegedly was violated should be "reasonably related" to the efficient and safe operation of the particular work environment. Employees, in other words, are usually allowed by arbitrators to question the reason behind any rule or order.*
- *Management must fairly and adequately investigate the matter before administering discipline.*
- *The investigation should produce substantial evidence of misconduct.*
- *Applicable rules, orders, or penalties should be applied evenhandedly and without discrimination.*
- *The penalty should be reasonably related to the misconduct and to the employee's past work history.*

[illegible] the employee's right to counsel. All salary employees have the right [illegible] help when they are called in for an interview that they reasonably [illegible] might result in disciplinary action.

[illegible] and some subordinate of his or her dignity. Discipline your subordinate [illegible] rather than the burden of proof is on you, in U.S. society, a person is [illegible] innocent until proven guilty.

[illegible] Don't base your decision on hearsay evidence or out your [illegible] impression.

[illegible] Very few people can be objective and sensible when [illegible]

[illegible] p.204

Disciplinary Actions (Process of Managing Discipline)

[illegible] there is no rigid and specific procedure for taking a [illegible] action, the disciplinary procedure followed in [illegible] usually consists of the following steps.

Figure 6.2: Types of Disciplinary Action

Oral Warning

When an employee breaks a rule or fails to maintain standard an oral warning that repetition may eventually call for discipline is in order. At this state disciplinary action remains unofficial because it does not become a matter of written record. The aim of oral warning is to help the employee correct his/her behaviour by telling him/her undesirable conduct can not be tolerated.

Written Warning

It is the first formal stage of corrective discipline. If an employee does not respond to oral or unofficial warning, then a formal

written warning containing a statement of the offence to rectify it.

3. **Suspension**

In a case where the charges levelled against an employee are of serious nature and it is considered by the disciplinary authority that his physical presence might endanger the safety of other employees, or if it is apprehended that he might intimidate others or tamper with the evidence, he may be suspended. During the period of suspension pending enquiry, the employee will get subsistence allowance as per rules.

4. **Pay Cut**

If suspension has not been effective and management wants to strongly avoid dismissing the problem employee, pay cuts may be an alternative. It has a demoralizing effect on the employee. Under this, the employer cuts the earned increments or withholds the annual increments of the delinquent employee. If damage results from the deviant behaviour, deductions may be made from employee's pay over a period of time to pay for damage.

5. **Demotion**

A demotion is reduction in job grade accompanied by reduction in pay. It is the alternative of a dismissal. Many organizations avoid the dismissal of employees because of its probable effect on the behaviour of co-workers. In such a case, the HR manager prefers to demote the concerned employee if suspension has not been effective.

6. **Dismissal**

It is the termination of the services of an employee as a punitive measure for some misconduct. It is the last step of disciplinary action. When all other actions fail, dismissal is the answer. It is very serious and hard consideration, hence, the management should consider the possibility of taking legal action by the dismissed employee. So, the management should justify the decision of dismissal with enough proofs and evidences.

Have a Look: Examples of Progressive Disciplinary Action

	Nature of Offence	Frequency of offence			
		1st	2nd	3rd	4th
1	Chronic Absenteeism	1	2	3	4
2	Habitual tardiness	1	2	3	4
3	Leaving work without permission	2	3	4	
4	Misconduct/misbehaviour	3	4		

...ment on the job	2	3		
...ation of time of work	4			
...ing on the job				
...ing rules violations	1	4		
...ing	1	2	3	4
...ation of information	4			
...ing to harm Persons/property	4			
...ing to management	4			
...ation of resources at work	4			
...ing of work	2	3	4	
...warning)				
...ment				

*2=Written warning
*4=Dismissal

...adapted from Saunds (1980, pp.304).

...ary

...of Discipline

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...Problems

...Problems

...Problems

1. Concept of Labour Relations (Industrial Relations)

Good labour relations are important for rapid industrialization. More job, effective manpower utilization, higher productivity, higher profits and better working conditions, etc., will remain mere slogans, if peace does not prevail in the industry and employees and organizations do not understand and recognize one another's rights and responsibilities[1]. So, labour relations are essential for industrial peace.

The term 'labour relations' refer to relationships between management and labour or among employees and their organizations that characterize or grow out of employment. Theoretically speaking, there are two parties in the 'employment' relationship - employees and management. Both parties need to work in a spirit of cooperation, adjustment and accommodation. In their own mutual interest certain rules for co-existence are formed and adhered to. Over the years, the society (State or Government and pressure groups) has also come to play a major role in industrial relations[2]. So, in modern sense labour relations which are also known as ***industrial relations*** refer to the complex of inter-relations among employees, employers and society.

- **Employees/workers**: They are one who possess skills and who do the real job. They are represented by trade unions.
- **Employers**: They give job to employees/workers and negotiate terms and conditions of employment with the unions.
- **Society**: It is represented by government and pressure groups.

The term 'labour relations or industrial relations' has been defined by different authors in different ways.

Arun Monappa – "Labour relation means the relationship that emerges out of a day-to-day working and association of labour and management."

K.S. Johori – "Labour relation is the relation between employer and employee in the course of running of an industry and may project to spheres to the area of quality control, marketing, price fixation and disposition of profit among themselves."

K. Aswathappa – "Industrial relation is concerned with the relationship between management and workers and the role of regulatory mechanism in resolving an industrial dispute."

John T. Dunlop – "Labour relations are the complex of inter-relations among workers, managers and government."

Johannes Schregle – "Labour relation denotes the relationship between workers and employers, between workers' organization and employer's organizations and between these respective organizations and public autorities."

Labour relations refer to all types of relationship between all the parties concerned with industry. Labour relations in the modern sense is a dynamic concept that is concerned with managing inter-relationship among workers, employers, and society. These relations are also concerned with the systems, rules and procedures used by workers and employers to determine the reward for effort and other conditions of employment, to protect the interests of the society, employers and their employers, and to regulate the ways in which employers treat their employees. The major scope of labour relations covers unionization, dispute or conflict, collective bargaining, settlement of contract, and contract administration.

2. Purposes of Labour Relations

Labour relations in the modern sense are concerned with managing inter-relationship among workers, employers, and society. The main objective of labour relations is to maintain good and healthy relations among employees and management in the organization. Besides this, the major purposes of labour relations are mentioned as follows:

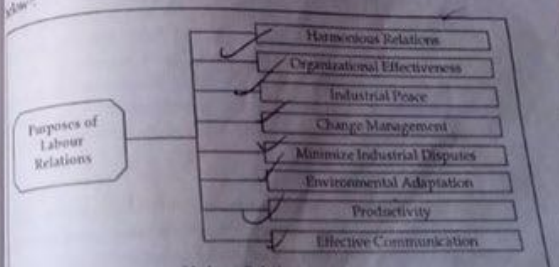

Figure 10.1: Purposes of Labour Relations

1. **Harmonious Relations**

Labour relations aim to establish and promote harmonious relationship among employees, employers and government. This leads to industrial peace which is an ideal situation for an industrial unit to concentrate on productivity and growth.

2. **Organizational Effectiveness**

Labour relations aims at developing a common ideology among the actors (employees, management and government/unions) that brings together all activities of these actors to work for organizational goals. Once the ideology is common to all, stability and regularity in industry are possible. Finally this guarantees organizational effectiveness.

3. **Industrial Peace**

Effective labour relations foster industrial peace. Both management and employees discuss and consult each other before initiating any action. The unilateral actions that carry to confusion and misunderstanding disappear from the scene. This assists in the establishment of industrial peace in the organization which will bring cooperation between them. Thus labour relations create a peaceful environment which boosts prosperity in the organization.

4. **Change Management**

Labour relations create an environment of cooperation, trust and confidence. They reduce the resistance to change. They facilitate change management. Hence, innovation and other technological advancements can be easily implemented in the organizations. Traditionally, managers reacted sharply to the actions of unions and their demands and pressures. Recently, however, labour relations practices have become a source of organizational change and promoting innovations to make an organization competitive in the world market. Organizations are seeking help from unions to introduce innovative changes in the workplaces.

5. **Minimizes Industrial Disputes**

Labour relations help to minimize industrial disputes. Sound labour relations also minimize conflicts and grievances and minimize the occurrence of strikes, lockouts, etc., in the organization.

6. **Environmental Adaptation**

Labour relations are important for environmental adaptation. Labour relations help organization to adapt to changing environment factors such as political, legal, economic, socio-cultural and technological forces.

7. **Productivity**

Effective labour relations aim to increase the productivity of employee as well as the organization. Due to cordial labour relations, employees take interest in their jobs and work efficiently and efficiently. This lead to higher production output thereby enhancing the existing level of productivity at a higher price.

8. **Effective Communication**

Labour relations provide opportunity for free flow of communication between employees and management. They establish participative culture in the organization to provide a favourable work climate. They also help to increase mutual cooperation, confidence, and respect within the organization. They help to minimize labour turnover and absenteeism by providing job satisfaction.

The Actors of Industrial Relations System

Industrial relations or labour relations refer to complex inter-relationship among three components namely-workers (employees), employer and the society. So they are the key actors of industrial relations system. These actors play different roles in industrial relations system.

Figure 10.3: Actors of Industrial Relations System

1. **Workers (Employees)**

They are the one of the key actors of industrial relations system. They are the individuals who sell their labour, skills and efficiently to the organization in order to obtain rewards and compensation. Their personal characteristics such as values, educational attainments, qualifications, skills, attitude towards work, etc., play an important role in industrial relations. They perceive industrial relations as a means to improve their conditions of employment, voice against any grievances, exchange views and ideas with management and participate in organizational decision-making process.

Basically, workers and employees are represented by *trade union*. A trade union is a continuous association of workers and employers for the purpose of maintaining and improving the conditions of their working lives. It is formed for securing certain economic (like better salaries, wages, better working and living conditions), social (such as educational, occupational, medical, respect for individual) benefits to members. Collective strength offers a sort of insurance cover to members to fight against irrational, arbitrary, and illegal actions of employers. Members can share their feelings, exchange notes, and fight the employer quite effectively whenever he goes off the track. Mainly, trade union promotes the interest of their members through collective bargaining.

2. **Employers**

Employers are also the important actors of industrial relations system. They are the buyers of labour and skills. They provide employment to workers and try to regulate their behaviour for getting high productivity from them. In the corporate organizations, the management represents employers. They negotiate terms and conditions of employment with the trade unions. Basically, management promotes and protects the interest of the employers.

Employers are represented by *employers' associations*. Employers' association is organized in order to increase their bargaining power. These associations promote and protect the interest of employers and put pressure on the trade unions and the Government.

[illegible] major actor of industrial relations system is society. Society endorses the compliance of laws in industrial relations. It [illegible] eyes on both the trade unions and employer's [illegible] to regulate their activities in the interest of society [illegible] by the government and pressure groups.

Government: It can be at national or local level. It regulates [illegible] relationship between workers and employers. The [illegible] government exerts an important influence on labour relations through labour laws, labour courts, tribunals, wage board, etc. It tries to bring uniformity in industrial relations through the enactment of labour laws, rules and regulations.

4. **Pressure Groups**: They are special interest groups in the society. They lobby and pressurize the government for the enactment or better laws to protect the interest of employees as well as employers.

Trade Union

[illegible] union is a formal association of workers that promotes and [illegible] the interests of its members through collective action. It is any [illegible], whether temporary or permanent, formed primarily for the [illegible] of regulating the relations between workers and employers, or for [illegible] regulating restrictive conditions on the conduct of any trade or business and [illegible] federation of two or more unions.

[illegible] and Rakhitan – "A union is an organization of workers, acting [illegible], working to promote and protect its mutual interest through [illegible] bargaining."

[illegible] – "Unions have had a major impact on wage structure, wage [illegible] individual wage determination regardless of whether specific [illegible] workers are organized or not."

[illegible] Act, 2049 (1992) – "Trade Union means the Enterprise level [illegible] Union registered under this Act for the protection and promotion [illegible] occupational rights of the workers and this expression shall also [illegible] Trade Union Association and Trade Union Federation."

[illegible] the definition in para:

"Trade union is an association either of employees or employers or of independent workers.

It is a relatively permanent formation of workers. It is not a temporary [illegible] combination of workers. It is formed on a continuous basis.

It is formed for securing certain economic (like better wages, better working and living conditions) and social (such as educational, [illegible], medical, respect for individual) benefits to members.

Collective strength offers a sort of insurance cover or protection to fight against irrational, arbitrary and illegal actions of employers. Members can share their feelings, exchange views and fight the employer quite effectively whenever he goes off the track.

- It includes a federation of trade unions also.
- It emphasizes joint, coordinated action and collective bargaining.

Have a Look: Collective Bargaining

Bargaining is the process of persuading, debating, discussing and even threatening so as to arrive at an amicable agreement for those being represented. Collective bargaining is a procedure by which the terms and conditions of workers are regulated by agreements between their bargaining agents and employers. The basic objective of collective bargaining is to arrive at an agreement on wages and other conditions of employment. Both the employer and the employees may begin the process with divergent views but ultimately try to reach a compromise, making some sacrifices. As soon as a compromise is reached, the terms of agreement are put into operation.

The underlying idea of collective bargaining is that the employer and employee relations should not be decided unilaterally or with the intervention of any third party. Both parties must reconcile their differences voluntarily through negotiations, yielding some concessions and making sacrifices as the process. Both should bargain from a position of strength; there should be no attempt to exploit the weakness or vulnerability of one party. With the growth of union movements all over the globe and the emergence of employers' associations, the collective bargaining process has undergone significant changes. Both parties have, more or less, realized the importance of peaceful co-existence for their mutual benefit and continued progress.

Features of Collective Bargaining

Some of the important features of collective bargaining may be listed thus:

1. **Collective**: It is collective in two ways. One is that all the workers collectively bargain for their common interests and benefits. The other is that workers and management jointly arrive at an amicable solution through negotiations.
2. **Strength**: Across the table, both parties bargain from a position of equal strength. In collective bargaining, the bargaining strength of both parties is equal. It is industrial democracy at work.
3. **Flexible**: It is a group action where representatives of workers and management expend energies in order to arrive at a consensus. It has sufficient flexibility, since no party can afford to be inflexible and rigid in such situations. The unique feature of collective bargaining is that usually the parties concerned start negotiations with entirely divergent views but finally reach a middle point acceptable to both. It is therefore more a compromise sheet but a give and take process.

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Voluntary: Both workers and management come to the negotiating table voluntarily in order to have a meaningful dialogue on various bargaining issues. They try to probe each other's views thoroughly before arriving at an acceptable solution. The implementation of the agreement is also a voluntary process.

Continuous: Collective bargaining is a continuous process. It does not commence with negotiations and end with an agreement. The agreement is only a beginning of collective bargaining. It is a continuous process which includes implementation of the agreement as well as further negotiations.

Dynamic: Collective bargaining is a dynamic process because the way agreements are arrived at, the way they are implemented, the mental attitude of parties involved keeps changing. As a result, the concept keeps changing, grows and expands over time.

Power relationship: Workers want to gain the maximum from management, and management wants to extract the maximum from workers by offering as little as possible. To reach a consensus, both have to retreat from such positions and accept less than what is asked for and give more than what is on offer. By doing so, management tries to retain full control on workplace matters and unions attempt to strengthen their hold over workers without any serious dilution of their powers.

Representation: The chief participants in collective bargaining do not act for themselves. They represent the claims of labour and management while trying to reach an agreement. In collective bargaining the employer does not deal directly with workers. He carries out negotiations with representatives of unions who are authorized to bargain with the employer on work-related matters.

Specific process: The employers and the employees negotiate the issues directly, face to face across the table. There is no third party intervention.

Complex: Collective bargaining is a complex process involving a number of procedures, techniques and tools: preparation for negotiations, timing, selection of negotiators, agenda, tactics of negotiations, make up of agreement, ratification, enforcement, etc.

Objectives of Collective Bargaining

The main objectives of collective bargaining are given below:

- To settle disputes/conflicts relating to wages and working conditions.
- To protect the interests of workers through collective action.
- To resolve the differences between workers and management through voluntary negotiations and arrive at a consensus.
- To avoid third party intervention in matters relating to employment.

Source: Rao, VSP (2010), Study Material of MBA Programme on Human Resource Management, New Delhi: Excel Books Private Ltd, pp 245-247.

4. Employees' Grievances

Concept of Employee Grievances

Employees have certain expectations which they think must be satisfied by the organisation they are working for. When the organisation fails to do this, they develop a feeling of dissatisfaction or dissatisfaction. When the employees feel that something is unfair in the organisation, they are said to have certain grievances.

Employee grievances are any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust or inequitable. They are the complaints that have been put in writing and thus made formal. Management should be concerned with grievances, because they may be important indicators of potential problems within the workforce.

Moody and Noe – "Grievance is an employee's dissatisfaction or feeling of personal injustice relating to his or her employment relationship."

International Labour Organisation (ILO) – "A grievance is a complaint of one or more workers in respect of wages, allowances, condition of work and interpretation of service regulations, covering such areas of overtime, leave, transfer, promotion, seniority, job assignments and termination of services."

Keith Davis – "Grievance is any real or imagined feeling of personal injustice that an employee has about the employment relationship."

Dale S. Beach – "Grievance is any dissatisfaction or feelings of injustice in connection with one's employment situation that is brought to the attention of management."

Wendell French – "Grievance is a formal complaint filed by an employee following an established grievance procedure.

Dale Yoder: Grievance is a written complaint filed by an employee claiming unfair treatment."

Thus, grievances result from an employee's perception of the difference between the employee expectation and actual happening or treatment by the management. Grievances are any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of management.

Daily Forms of Grievances

Employees may take any one of the following forms: (a) Actual; (b) Disguised.

Actual grievance arises when legitimate needs of employees are not satisfied, e.g., wage hike, has been rejected but not implemented citing various reasons.

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

Disguised: An employee may have dissatisfaction for reasons that are unknown to himself. If he/she is under pressure from family, friends, relations, neighbours, he/she may reach the work spot with a heavy mind. If a new recruit gets a new bike and complains, this may become an irritant to other employees who have not been treated likewise or promoted.

Causes of Employee Grievances

Grievances are employee's perception of unfair treatment on the job. They lead to feelings of discontent or dissatisfaction. Grievances may arise from a number of reasons. They are as follows:

Interpretation Difference

Often, there are unclear agreements, terms and conditions of the employment between management and labour on job, grievance arises. It is because either one or both start to interpret differently the job assignments.

Management Practices

Sometimes, the particular style of management gives rise to grievances. For example, the autocratic or humanistic style of management is hardly liked by educated and professional employees. They favour the participative style of management. The policies, procedures and practices adopted by the management also give rise to employee grievances. For example:

- Unfair decisions
- Unclear organizational policies
- Poor communication
- Faulty implementation of human resource policies and decision
- Violation of established procedures and patterns Rigidity of rules

Ambiguities in human resource management policies and practices may also lead to employee grievances. Matters such as employee compensation, seniority, overtime, promotion, transfer, rewards, punishment, etc., are the common examples of ambiguities that lead to employee grievances.

3. **Labour Union Practices**

Politically motivated labour unions may encourage employees to report grievances unnecessarily. It is found that where there are multiple of unions with different political affiliation engage in constant lobbying the employees for gaining strength in numerical terms. In practice, employees join a union, which has concern for their welfare. But the unions take grievances as an important vehicle to show their real concern for employees' welfare. Such labour union practices also promote employee grievances.

4. **Personality Traits**

Sometimes, employees' personality traits may also have a bearing on the emergence of grievances. Personality traits such as over ambition, excessive self-esteem, bad-feeding attitude, mental tension, etc. can lead employee grievances.

5. **Organizational Culture**

Poor organizational culture can create employee grievances. Mostly such culture creates friction and misunderstanding among employees that lead to grievances.

6. **Working Conditions**

Working conditions are related to the work environment of the organization. Poor working conditions such as unsuitable environment, non-availability of proper tools, machines and equipments for doing the job, tight production standards, bad physical conditions of workplace, poor relationship with supervisors, negative approach to discipline, etc. cause employee grievances.

Handling of Employee Grievances

Employee grievances are present in every organization, although their severity varies. The management of the organization must handle grievances effectively and on time. The management should develop a good organizational climate where grievances are minimal. The

...others, among others, to anticipate problem areas and pro-act to ...so that grievance creating problems are avoided?

...ches to Grievance Handling

...ing approaches can be undertaken for handling of employee ...

Figure 16.5: Approach to Grievance Handling

Open Door Policy Approach

It is also known as informal or unofficial procedure of redressing employee grievances. In this approach, the employees are invited to walk-in any time and express their grievances to higher level of management. The problem is resolved in a mutually satisfying way. This approach is suitable basically for small organizations where employees are directly linked with top management. But in a large organization this approach may not be practical because the top management will be too busy in other matters of organization and they may not have adequate knowledge and information to handle disputes.

Labour Compliance Approach

This is the legalistic approach. Under this, grievances are managed by using the contract made between unions and employees. The process of handling grievances is specified in the labour contract. Normally, grievances are related to interpretation of the contract. This approach is simple to understand and easy to administer, but it ignores grievances resulting from situation not provided in the contract.

Grievance Procedure Approach

It is also known as *step ladder approach*. It is the formal organizational mechanism for managing employee grievances. It consists of several steps. Employees can take their grievances to successively higher levels of management for redressal. The steps to be included under it are as follows:

Figure: 10.4: Successive Steps in Grievance Procedure

a. **Grievant → Supervisor**

At this step, an employee who feels discontent or mistreated verbally explains his grievance to his immediate supervisor. He seeks satisfaction from his supervisor. The supervisor gives a decision about the grievance within a fixed time period. This step is suitable for 'give and take' approach.

b. **Grievant → Departmental Head**

If the decision of supervisor does not satisfy the grievant, the employee puts the grievance in writing and appeals to a higher level management, *i.e.*, departmental head. The written statement indicates why the complaint is considered a grievance and what the grievant thinks should be done about the matter. At this step, the departmental head gives decision within a fixed time period.

c. **Grievant → Grievance Committee**

If the decision of departmental head is not satisfactory, the grievance can be applied to Grievance Committee. This committee comprises the representatives of employer and employees. At this step, the committee gives a decision within a fixed time period. If the grievance is not settled, at this point [illegible] will decide whether or not the grievance has merit.

d. **Grievant → Chief Executive (Top Management)**

If the decision of the Grievance Committee is not accepted by the grievant, at this step, he may approach the chief executive or top management. In this step, union officials can also join. At this step, top management gives a decision within a fixed time period.

e. **Grievant → Voluntary Arbitration**

Most grievances are settled through the early steps. If the decision or suggestion of the Grievance Committee or the chief executive is not accepted by the grievant, the grievance may be referred to arbitration. Usually arbitration is the last step in grievance handling. Arbitration is a procedure in which a neutral (independent) third party (arbitrator) studies the bargaining situation, listens to both the parties and gathers information and then makes recommendations that are binding on the parties.

In this way, grievance procedure approach involves several steps, but it is very important to ensure that grievance handling should be able to settle the grievance without having to go to successive, higher levels of authority. The grievances need to be handled promptly.

How to Look: Guidelines for Handling Grievances

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

- Treat each case as important and get the grievance in writing.
- Talk to the employee directly. Encourage him to speak the truth. Give him a patient hearing.
- Discuss in a private place. Ensure confidentiality, if necessary.
- Handle each case within a time frame.
- Examine company provisions in each case. Identify violations, if any. Do not hold back the remedy if the company is wrong. Inform your superior about all grievances.
- Get all relevant facts about the grievance. Examine the personal record of the aggrieved worker. See whether any witnesses are available. Visit the work area. The idea is to find where things have gone wrong and who is at fault.
- Gather information from the union representative, what he has to say, what he wants, etc. Give short replies, uncovering the truth as well as provisions. Treat him properly.

A. Conflict your emotions, your attitude and behaviour.
1. Maintain proper records and follow up the orders taken in each case.
2. Be prepared to provide

Source: Rao, V.S.P. (2011). Study Material of M.B.A. Programme on Human Resource Management. New Delhi: Excel Books Private Ltd., p.221.

5. Labour Disputes

Labour disputes are the conflicts or disagreements over the rights and interest of employees with the management of the organisation. It is differences and strife between employers and employees in matters relating to organisational procedures. In general, most disputes are between employer and employees. But the disputes can be between employers and employers, between workers and workers, and between employees and government.

Labour disputes are common in industries. They are symptoms of industrial unrest in which both employees and managers try to pressurize each other. They manifest in the form of go-slow, strikes, lockouts, etc. The common consequences of labour disputes are loss of production, loss of profit, and even closure of organisation. Thus, labour disputes benefit none. So, the labour disputes should be settled down as soon as possible.

Types of Labour Disputes

Labour disputes can be of two types.

Labour disputes on employees' interests (interest disputes)

They denote disputes between the two parties over the wages, employee benefits, bonuses, employee entitlement, leave and working hours, and work discipline.

Labour disputes on employees' rights (rights disputes)

They are concerned with disputes over the interpretation and application of existing work standards, such as training and development, work conditions (QWL), and fair levels, so that the employees' rights to good work life are made sure.

Causes of Labour Disputes

The causes of labour disputes are many and varied. Some major causes of labour disputes are as follows*:

Figure XIII: Major Causes of Labour Disputes

Economic Causes

The economic causes of labour disputes include the following factors.

a. **High compensation:** It is concerned with pay, benefits and services. Workers want to get the most in terms of wages, benefits and services whereas employers want to pay the least. Hence labour disputes take place.

b. **Bonus:** No bonus or insufficient bonus leads to labour disputes.

c. **Employment conditions:** They are concerned with agreement and contract about employment and service.

d. **Working conditions:** They are concerned with hours of work, working environment, safety, health and other factors.

e. **Industrial sickness:** They are concerned with poor economic condition, wrong tax system, unfair competition, unstable political system, ineffective industrial behaviour, etc. Due to such factors, the employers may not be able to pay in time and disputes may occur.

f. **Other Economic Benefits:** Sometimes employees demand more economic benefits. But employer does not want to pay. This may cause labour disputes.

Managerial Causes

Many management practices relating to employees which are not in accordance with legal requirements or discriminatory to employees are causes of labour disputes. They are:

a. **Recognition:** If the employers refuse to recognize the legally registered unions, it causes labour disputes.

b. **Lack of consultation:** If the employers refuse to consult with labour unions, it also causes disputes.

c. **Lack of openness:** If there is no openness in decision making, it also causes disputes.

d. **Lack of fair behavior:** If there is no fair behaviour from the side of management that also may lead to disputes.

e. **Job security:** The practice of hiring and firing of employees as per the best interest of management creates a threat to job security which ultimately becomes the causes of labour disputes.

f. **Disciplinary actions:** Unfair disciplinary actions (such as violence, attendance, job behavior, dishonesty and outside activities of workers) also create the disputes in organization.

g. **Lack of effective communication:** Lack of effective communication between management and workers may bring labour disputes.

h. **Leadership style:** The defective leadership style of management also leads disputes.

Political Causes

There are many political factors that cause labour disputes in organization. They are as follows:

a. **Political interference:** Many trade unions are the sister organizations of major political parties. Hence, they are guided by the political parties. They interfere in the activities of management that leads disputes.

b. **Union rivalry:** Due to ideological differences between many trade unions in the organization, they are divided into different ideological lines. As a result, such rivalry becomes cause of disputes.

c. **Collective bargaining:** Political pressures of major political parties influence collective bargaining. Settlement becomes difficult and agreement does not materialize.

d. **Multiplicity of labour laws:** Due to multiplicity of labour laws, there is the possibility of various interpretations, conflicts and confusion. They lead labour disputes.

Psychological Causes

There are some psychological factors that cause labour disputes. They are as follows:

a. **Motivation:** If the employees are not well motivated within the organizational offerings, it will cause for labour disputes.

b. **Appreciation:** Employees expect high recognition of their works and efforts. If their works and efforts are not appreciated by the management, it will cause for disputes.

c. **Authority:** Inadequate delegation of authority and responsibility also causes disputes.

d. **Behaviour:** Misbehave of management towards employees, also causes disputes.

Prevention of Labour Disputes

Labour disputes are conflicts between employers and employees. They manifest in the form of strikes, lockouts and other industrial actions. Whatever may be the cause of labour disputes, the consequences are harmful to all stakeholders such as management, employees, economy and the society. So, the labour disputes need to be prevented. It is better than settlement. Prevention minimizes the factors of disputes. The methods for prevention of disputes are as follows:

1. **Open Communication**

Open communication can be one of the methods to prevent labour disputes in organizations. This allows free flow of information and understanding between workers and management. This helps to listen employees' complaints patiently and to handle the complaints promptly and transparently.

2. **Equity**

Unfair treatment and biasness in dealing with employees cause labour disputes. So, management should establish fair and equitable compensation and work rules for all employees. Fair and equitable policies and practices help to prevent disputes.

3. **Participation**

Employee participation is one of the effective methods for prevention of labour disputes. If employees get opportunity to

participate in decision making, to set performance target and solve problems, it will reduce unnecessary disputes to the organization. Joint consultation, in committee and shares, representation on board, share ownership, and employee schemes are important methods of employee participation.

Feedback

Feedback also helps to prevent labour disputes. The management needs to collect the feedback about organizational policies and practices from employees.

Collective Bargaining

Contract resulting from collective bargaining also help to prevent disputes. It occurs when representatives of labour union meet with management representatives to determine employees' wages, benefits, incentives, employment conditions, working conditions, safety and health, welfare programmes, disciplinary actions, to create or revise work rules and to resolve disputes. It provides platform to the management and employees to settle disputes.

Counseling

Disputes can be minimized through providing counseling sessions for employees about importance of dispute prevention. So, management needs to provide counseling and training through which employees can understand the reality and place less grievances to the management.

Settlement of Labour Disputes

Labour disputes need to be settled as soon as possible. For this, following methods can be used.

Figure 10.6: Methods of Labour Dispute Settlement

Collective Bargaining (Joint Decisions)

Under this, the representatives from trade union and management (sometimes, even from the government or civil society) sit together to resolve the disputes through negotiations, adherence and administration of a time-bound agreement between them.

Grievance Procedure (Unilateral Decisions)

It is the formal organizational mechanism for managing employee grievances. It consists of several steps. Employees can take their grievances to successively higher levels of management for resolution. The steps to be included under it are as follows:

- Grievant → Supervisor
- Grievant → Departmental Head
- Grievant → Grievance Committee
- Grievant → Chief Executive (Top management)
- Grievant → Voluntary Arbitration

This method facilitates upward communication. Grievances and disputes are attended promptly, but it is time-consuming and costly.

3. **Conciliation (Third Party Decisions)**

It is a process by which representatives of employees and employers are brought together before a third party with a view to persuading them to arrive at an agreement through mutual discussions on the dispute. Here, both the parties are urged to give up (sacrifice) a few things to come to an agreement. The third party, known as mediators, may be either an individual or a group of individuals. The third party does not impose its decisions but bring the employees and employers together.

4. **Mediation (Third Party Decisions)**

It is a procedure in which a neutral third party studies the bargaining situation, listens to both the parties, and makes recommendations that are binding on both the parties. However, as like in conciliation the mediator cannot compel either a party for acceptance of his decision. Hence, the disputing parties are free to accept or reject the proposal put by him.

5. Adjudication (Third Party Decision)

It is a mandatory settlement of the labour dispute by Ordinary Courts, Labour Courts, or a Labour Tribunal. It is the last resort to settle disputes because the verdict of adjudication is binding on both the parties involving in the dispute. This method is the most significant means of resolving labour disputes. But it has been criticized because of the delay involved in resolving disputes.

6. Disputes Settlement Process in Nepal

The Labour Act 1992 (as amended in 1998) has made provisions for settlement of labour disputes in Nepal. The provisions are as follows:

1. **Filing Complaints to the Employer**

   Under it, at least 51 percent workers or employees of an organization must sign the document explicitly mentioning their demands or complaints concerning collective rights, interests and facilities as well as mentioning their representatives. The written complaint is submitted to the concerned manager through their representatives.

2. **Bilateral Discussion**

   On receipt of such complaint, the manager holds bilateral discussions with the representatives to settle the problem within a period of 21 days.

3. **Involvement of Labour Office**

   Under it, the labour office holds a bilateral discussion between labour and management within 15 days. The dispute is settled within the limited span of time. If not, the following situations may occur:

   - **Strike by Labour:** The labour can go on strike after furnishing a notice to the management before 20 days of such strike. The resolution to go on strike should be passed by 60 percent of workers through secret ballot. The notice to go on strike should also be given to Department of Labour, concerned Labour Office and Local Administration Office.
   - **Lockouts by Management:** Management can resort to lockout with government approval.

Appointment of Mediator or Constituting Dispute Settlement Committee

A mediator or constituting dispute settlement committee or tribunal can be appointed with the mutual consent of both the concerning parties. The dispute is settled by the mediator through arbitration within 15 days. If not settled the next step follows.

Rights to Appeal

Any party dissatisfied with the decision of mediator can file an appeal to the government within 35 days. The government has to give decision within 60 days.

Features of Labour Act and Trade Union Act

Features of Labour Act, 1992 (2048)

Labour Act, 1992 (as amended in 1998) is concerned with making provisions for the rights, interests, facilities and safety of workers and employees working in enterprises of various sectors. This act has 11 chapters and 92 sections to regulate the concerned field. The key features and provisions of this are as follows:

Preliminary

Under this chapter, major clauses incorporated are:

a. **Short title and commencement:** (1) This Act may be called as the "Labour Act, 2048 (1992)". (2) It shall come into force immediately.

b. **Definitions.** There are definitions of the major terms included in this act.

According to this act, "Employer" means persons engaged in the administrative functions of the enterprise."

"Worker" means a person employed on the basis of remuneration to work at any building, premises, machinery or any part thereof used for any productions process or providing service, or any act relating to such work or for any unscheduled works and this expression also includes any worker working at piece-rate, contract or agreement.

"Manager" means a person appointed for performing the functions in the Enterprise.

2. Employment and Job Security

Under this chapter, major clauses incorporated are:

a. Classification of Job,
b. Appointment of Worker and Employee,
c. Prohibition of Engaging Non Nepalese Citizens at Work,
d. Engagement in Work,
e. Computation of period of Works
f. Appointment in Contract Service,
g. Change of Ownership shall not Adversely Affect,
h. Separate Registers of the Workers and Employee to be Kept,
i. Security of Service,
j. Keeping on Reserve,
k. Retrenchment and transferment,
l. Seasonal Enterprise
m. Compulsory Retirement

3. Working Hours

Under this chapter, major clauses incorporated are:

a. Working Hours
b. Computation of Commencement of Working Hour
c. Intervals for Refreshment and Rest
d. Extra Wages for overtime to be Provided
e. Attendance Register to be Kept

4. Remuneration

Under this chapter, major clauses incorporated are:

a. Minimum Remuneration Fixation Committee
b. Annual Increment in Remuneration
c. Payment of Remuneration, Allowances and Facilities
d. Period of Remuneration
e. Prohibition on Deduction of Remuneration
f. Petition to be Filed in cases a Deduction in Remuneration Made or Delay Caused in Payment or other Facilities not provided or Delay Caused in providing such Facilities in a Undue Manner
g. Appeal

Health and Safety

Under this chapter, major clauses incorporated are:

a. Provisions Relating to Health and Safety
b. Protection of Eyes
c. Protection from Chemical Substance
d. Provision for Safety Against Fire
e. Hazardous Machines to be fenced
f. In relation to Lifting of Heavy Weight
g. Minor not to be engaged in Works without Adequate
h. Guidelines on of Vocational Training
i. Disputes Relating to Age
j. Pressure Plants
k. Orders to Provide for Safety
l. Notice to be Provided
m. Powers to Determine the Standards

Welfare Provisions

Under this chapter, major clauses incorporated are:

a. Welfare Fund
b. Compensation
c. Gratuity, Provident Fund and Medical Expenses
d. Leave
e. Provision of Quarters
f. Provisions Relating to Children
g. Relaxing Room
h. Canteen

7. Special Provisions to be Applicable to Special Type of Enterprise

The special types of enterprises consist of:

a. Tea-Estate
b. Construction Business
c. Transportation Business
d. Business of Hotel, Travel, Trekking, Adventure, Rafting, Jungle Safari, etc.

8. Conduct and Punishment

Under this chapter, major clauses incorporated are:

a. Type of Punishment: The Proprietor may punish an worker or employee performing misconduct with any of th

following punishments: To reprimand, to withhold annual grade increment, to suspend, or to dismiss from service

b. Misconduct
c. Punishment
d. Procedure
e. Department of Labour may dismiss from service
f. Misconduct of Proprietor or Manager
g. Punishment for Obstruction to Government Employee
h. Other Penalties
i. Quashing of Illegal Acts
j. Instituting of case and Limitation
k. Appeal
l. Realisations of Fines

8. Committee, Officers and Other Provisions

Under this chapter, major clauses incorporated are:

a. Central Labour Advisory Board
b. Labour Relation Committee
c. Appointment of Labour Officer
d. Powers of Labour Officer
e. Appointment of Factory Inspector
f. Powers of the Factory Inspector
g. Welfare Officer
h. Notice to be provided of establishment of Enterprise
i. Information to be provided by Proprietor
j. Notices and Posters

III. Settlement of Labour Dispute

Under this chapter, major clauses incorporated are:

a. Establishment of Labour Court
b. Proceedings May Be Initiated in Contempt
c. Procedures Relating to Personal Claims or Complaints
d. Procedures Relating to Submission of Claims of Collective Dispute
e. Prohibition to Claim
f. Notice of Strike to be Provided
g. Lock Out

h. Prohibition to Strike
i. Legal Validity of Collective Agreement
j. Implementation of Collective Agreement
k. Order may be issued to End the Strike
l. Termination of Lock-out Period
m. Remuneration for the Period of Lock-out
n. Special Provisions for Settlement of Dispute

IV. Miscellaneous

Under this chapter, major clauses incorporated are:

a. Special Powers of Government of Nepal
b. Special provisions respect of the Workers and Employees Engaged outside the Enterprises
c. Powers to Remove Obstacles
d. Powers to Frame Rules
e. Bylaws to be availed
f. Provisions Relating to Enterprise owned by Government of Nepal
g. Directive of Government of Nepal
h. Delegation of Authority
i. Prevalence of this Act
j. Repeal and Saving

Features of Trade Union Act, 1992 (2049)

Trade Unions Act, 1992 is the act made to provide for the management of trade union. Whereas it is expedient to make legal provision regarding registration, operation of Trade Union and other necessary provisions relating to it for the protection and promotion of professional and occupational rights of the persons engaging in self-employment and the workers working in various industry, trade, profession or service in Enterprises or outside the Enterprises. This act has 6 chapters and 31 sections to regulate the concerned field. The key features and provisions of this are as follows:

1. Preliminary

Under this chapter, major clauses incorporated are:

a. Short title and commencement. (1) This Act may be called "Trade Union Act, 2040 (1992)". (2) This Act shall come into

place on such date as the Government of Nepal may by a notification published in the Nepal Gazette, specify.

b. *Definition: There are definitions of the major terms included in this act.*

According this act : "Trade Union means the Enterprise level Trade Union registered under this Act for the protection and promotion of the occupational rights of the workers and this expression shall also includes Trade Union Association and Trade Union Federation."

"Worker" means the worker engaged in various industry, trade profession or service in the Enterprise or outside the Enterprises on permanent, temporary, agreement, daily wages, piece-rate or contract basis or working thereunder and the Agriculture Labourers, and this term also includes the other personnel and the person engaged in self-employment, except those personnel who are working at the Manager or Proprietor level and who are working as the chief of its department, branch, sub-branch and unit.

2. ***Registration of Trade Union***

Under this chapter, major clauses incorporated are:

a. *Registered of Enterprise Level Trade Union*
b. *Registration of Trade Union Association*
c. *Registration of the Trade Union Federation*
d. *Additional particular may be demanded*
e. *Refusal of Registration*
f. *Renewal of Trade Unions*

3. ***Operation, Management and Recognition of the Trade Union***

Under this chapter, major clauses incorporated are:

a. *Autonomous and Corporate body*

(1) The Trade Union shall be an autonomous and corporate body having perpetual succession. (2) The Trade Union shall have a seal of its own to carry out its activities. (3) The Trade Union may acquire, possess, dispose or manage by other means of its movable and immovable property as a person. (4) The Trade Union may sue or be sued under its name as a person.

b. *Objectives*

The Objectives of the Trade Union shall be as follows: (a) To engage in economic and social development of the workers by improving their working conditions. (b) To make an

effort to establish good relationship between worker and management. (c) To assist in the development of Enterprise by increasing the productivity of Enterprise. (d) Try to make the workers dutiful and disciplined.

c. *Functions, Duties and Powers of Trade Union*

In addition to the functions, duties and powers referred to in its Statute of a Trade Union, the other functions, duties and powers of a Trade Union shall be as follows:- (a) To carry out and cause to be carried out the activities and programmes as required for the achievement of the objectives of the Trade Union. (b) To require its members to participate in the election of the Authorized Trade Union of Enterprise level. (c) To require the workers of an Enterprise to abide by the decisions of the Authorized Trade Union of Enterprise level.

d. *Functions Duties and powers of Trade Union Association and Trade Union Federation*
e. *Statute of trade union*
f. *Recognition of the Authorized Trade Union*
g. *Presentation of Claim*
h. *Duration of Validity of the Recognition of the Authorized Trade Union*

4. **Appointment, Functions, Duties and Rights of the Registrar**

Under this chapter, major clauses incorporated are:

a. Appointment of the Registrar

(1) Government of Nepal shall appoint Registrars as required for the registration of the Trade Union in accordance with this Act. (2) Notwithstanding anything contained in Sub-section (1) Government of Nepal may by notification published in the Nepal Gazette authorise as required any other officer to use the power of Registrar.

b. Function, Duties and Power of the Registrar

The Functions, duties and powers of the Registrar shall be as follows:- (a) To registrar the Trade Union. (b) To maintain and keep upto date Register Book with detailed particulars of the registered Trade Union and other related particulars. (c) To request additional particular necessary for the registration of the Trade Union. (d) To take necessary action if the particulars, report or other documents required to be submitted by the Trade Union

under the Act to not submitted or of false particulars are submitted, (xi) To specify the procedure of election of the Authorized Trade Union.

v. *Register Book*

The Registrar shall maintain a separate Register Book to keep upto date the particulars, records etc. of the Trade Union.

5. ***Fund and Auditing***

Under this chapter, major clauses incorporated are:

a. *Fund*

(1) The Trade Union shall have its own separate fund and the fund shall contain the following amounts: (a) The amount obtained from the national fee, (b) The amount obtained from the national organization in the form of Aid or Grant, (c) The amount obtained from any other resources. (2) All expenses incurred in the name of Trade Union shall be borne out from the Fund. (3) The Amount to be contained in the fund pursuant to Sub-section (1) shall be deposited by opening an account in any Commercial Bank within Nepal.

b. *Accounts and Auditing*

(1) The accounts shall be maintained as mentioned in the statute of the Trade Union. (2) The accounts mentioned pursuant to Sub-section (1) shall be audited by the auditor appointed by the General Meeting of the Trade Union.

6. ***Miscellaneous***

Under this chapter, major clauses incorporated are:

a. *Merging of the Trade Union:* (1) In case two or more than two Trade Unions desire to be merged into one Trade Union, such Trade Unions may constitute a new Trade Union by concluding a mutual agreement if the majority in the General Meeting of each Trade Union desiring to be so merged vote in favour of merging.

b. *Information of the change in name:* If any Trade Union changes its own name the Registrar shall be informed of such change within fifteen days of the change of name.

c. *Effect of change in name, merging or dissolution:* (1) No effect shall occur in the power to be achieved or obligation to be fulfilled by such Trade Union only by the reason of change in name of the Trade Union. (2) The merging of two

of more than two Trade Unions into only one Trade Union or the dissolution of Trade Union in other Trade Union shall have no effect in the obligation to be performed by such Trade Union.

Contractual Liability To Be Fulfilled

d. No case To be filed

e. Transfer or Promotion Not To be made

f. Presentation of Annual Report

g. Cancellation of the Registration

h. Certificate of Trade Union Association and Federation

i. Representation of the Trade Union

j. Representation of the Trade Union

k. Limitation for Filing a Case

l. Penalties

m. Appeal

n. Special Power of Government of Nepal

o. Power of Frame Rules: Government of Nepal may frame necessary Rules to carry out the objectives of this Act.

Box 2: Some Labour related Legislation of Nepal
Bonus Act, 1974 (2030)
The act regulates the payment of bonus to employees and workers. It provides:
a. Bonus Distribution: The bonus shall not exceed ten percent of the net profit.
b. Balance Sheet: The management of each enterprise shall prepare the balance-sheet and the statement of profit and loss of each enterprise pursuant to Company Act, 2063 (2006) and submit it to the Labour Office within six months of the completion of fiscal year.
c. Bonus Determination: The amount of bonus to an individual will depend on the amount of monthly salaries and wages paid, but shall not exceed six month's wages and salaries.
Foreign Employment Act, 2007 (2064)
This act regulates foreign employment. Its major provisions are as follows:
a. Licensing is required to operate foreign employment office.
b. Deposit is needed for opening foreign employment office.
c. Procedure is prescribed for selection of workers for foreign employment.
d. Contracting arrangements have been prescribed.
e. Mechanism for investigation and inspection of documents related to foreign employment has been provided.

1. Concept of Human Resource Management (HRM)

People are the most important resources of every organization. No organization can exists and grow without them. In today's competitive business world, people and organization need to go together so that goals of both are achieved. People working in organizations are human resources[1]. They combine energy and physical strengths with competencies. They work efficiently to achieve organizational goals, provide quality services and produce goods to compete in national or international markets in order to earn a profit[2]. They can provide a competitive advantage to organization. Mainly, human resources of an organization consist of all employees engaged in various jobs and titles at different levels. They are people who are ready, willing and able to contribute to the organizational objectives. So, they are also referred as the most valuable resources. They are the focus of human resource management.

Human resource management is proper and systematic arrangement and handling of human resources, their competencies and energies in organization. It is the overall process of employing and managing people who work in organization. Human resource management is a process of bringing people and organizations together so that the goals of each are met[3]. It is part of the management process which is concerned with the management of human resources in an organization. It tries to secure the best from people by winning their wholehearted cooperation. In short, it may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner. Hence, human resource management is concerned with the people's dimension in organization.

Various authors and scholars have given their views regarding the term 'human resource management' differently. To have a comprehensive idea of the term, the following definitions may be noted:

Gary Dessler – "Human resource management is the process of acquiring, training, appraising and compensating employees, and attending to their labour relations, health & safety and fairness concerns."

David A. Decenzo and S.P. Robbins – "Human resource management is a process consisting of the acquisition, development, utilization and maintenance of human resource."

Managerial Hierarchy: Level of Management.

Top Level Management (Board of Directors, Chief Executives Officer)

Right person Right job Right time.

K. Aswathappa – "Human resource management refers to a set of programmes, functions and activities designed and carried out in order to maximize both employee as well as organizational effectiveness."

Barry Cushway – "Human resource management can be defined as a range of strategies, processes and activities designed to support corporate objectives by integrating the needs of the organization and the individuals that comprise it."

Wendell French – "Human resource management is the systematic planning, development and control of network of interrelated processes affecting and involving all members of organization."

Invancevich and Glueck – "HRM is concerned with the most effective use of people to achieve organizational and individual goals. It is the way of managing people at work, so that they give their best to the organization."

Michael Armstrong – "Human resource management is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives."

Thus, human resource management is the effective management of people at work. It examines what can or should be done to make working people more productive and satisfied. In other words, human resource management is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.

Finally, human resources management can be defined as that part of management concerned with[4]:

- All the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people as employees in any type of organization.
- All the dimensions related to people in their employment relationships, and all the dynamics that flow from it; and
- Adding value to the delivery of goods and services and to the quality of work life for employees, thereby helping to ensure continuous organizational success in transformative environments.

and techniques and applies them in the management of human resources. So, it involves acquisition, development, utilization and maintenance of human resources.

Pervasive Function

Human resource management is a pervasive function of management. All managers at various levels in the organization perform it. Every manager from top to bottom, working in any department has to perform the HR functions. For instance, all managers in any organization need to know how to motivate employees, train them, appraise their performance and so forth. Similarly, non-managerial employees are exposed to performance ratings and selection interviews when hired and so on.

Continuous Commitment

Human resource management is a continuous function. It is not a 'one shot' function. It must be performed continuously if the organizational goals are to be achieved smoothly. It is concerned with present as well as future. Hence, human resource management is of a continuous nature. It requires a constant alertness and awareness of human relations and their importance in every organization. It is increasingly concerned with employees' commitments to enhancing organization efficiency and productively.

Dynamic

Human resource management is a dynamic function whereby the procedures and practices are influenced by the environmental factors. It adapts to the changing environmental factors such as political-legal, economic, socio-cultural and technological forces. Human resource management adjusts the human resources in organization as per change in environmental factors. For example, HR department develops training and development programmes to enhance the innovative skills of employees to respond technological change.

Integrated System

Human resource management is an integrated system. It consists of acquisition, development, utilization and maintenance functions. It takes a systems approach to management of people in organization. It utilizes human potential to increase organizational productivity.

Mutuality-oriented

Human resource management integrates individual and organizational goals into a framework. It promotes mutuality between employer and employees. It is in terms of mutual

objectives. Simply stated, the HR department exists to serve the rest of the organization.

4. Societal Goals: Human resource management assists organization to be ethically and socially responsible to the needs and challenges of the society. It helps the organization to achieve many kinds of societal goals such as creation of employment opportunities, solution of social problems and protection of environment. Such goals make the organization ethically and socially responsible to the needs and challenges of the society.

Goal Harmony

Human resource management bridges the gap between employee's individual goals and organizational goals thereby creating into a goal harmony. It satisfies employee's personal needs and maintains their high morale resulting into job satisfaction and commitment. So, HRM aims to match the goals of individuals and those of organization to achieve career-related and organizational goals.

Structure Maintenance

Organizational structure defines and assigns the task for each employee working in the organization. It also defines positions, rights and duties, accountability and responsibility and other working relationships in the organization. In this regards, HRM helps to maintain organizational structure by fulfilling vacancies at right times. It ensures right number and kind of people, at the right place and at the right time. In this way HRM aims to maintain organizational structure.

Productivity Improvement

High productivity is an important goal of every organization to get more output from less input. Effective HRM is the key to increasing organizational productivity. So, human resource management continuously develops better quality employees through whom it aims to improve productivity. Productivity can be improved through effective utilization of capacities of employees.

Increase in Efficiency

The primary purpose of HRM is to increase in efficiency through cost-effective utilization of human resources. HRM aims to avoid waste and increase efficiency.

Change Management

Human resource management also helps to manage change in the organization. It adapts to changing environment. It

6. Foundations of Human Resource Management

positive response to change among employees. The technique of change management in such organizations, as it deals with the nature of management in rapid changing environment. Developing the best team of human resources is the key to organization development that is instrumental in managing the change. HRM follows flexible HR practices to motivate employees to work to keep the organization more flexible to respond to the changing elements of environment.

7. Quality of Work Life

Quality of work life concentrates on creating a working environment that is conducive to the satisfaction of employees needs. High quality of work life ensures the motivation and willingness of employees in the work. It makes employees participate in organizational process actively and effectively. HRM aims to promote a better quality of work life by giving employee adequate responsibility, opportunities, self participation, communication, learning and career development to make them able to contribute for the success of organization. Without improvement in the quality of work life, it is difficult to improve organizational performance.

4. Functions of Human Resource Management (Components of Human Resource Management)

Human resource management is concerned with people dimension in organization. It focuses on management of human energy, competencies and capabilities to improve productivity. In order to achieve the above objectives, human resource management has to perform various functions. The major functions of human resource management can be listed as follows:

Figure 1.2: Functions of Human Resource Management

Acquisition

One of the basic functions/components of human resource management is acquisition function. It is staffing function that ensures entry of the right number of people at right time and right place. It consists of the following functions:

a. Human Resource Planning: Human resource planning involves an estimation of demand and supply of workforce to fulfill current and future HR requirements of the organization. Based on human resource planning, the management decides the number of vacant posts, the type of work and the qualifications of the employees required.

b. Job Analysis: It is the procedure by which the facts with respect to each job are systematically discovered and noted. Simply, job analysis involves the collection of job related information to prepare job description and job specification. Job description defines the scope of job activities, major responsibilities, and positioning of the job in the organization. Job specification, on the other hand, is a statement of the minimum acceptable human qualities necessary to perform a job properly. Simply, job analysis is used to define the duties, responsibilities and accountabilities of the jobs.

c. Recruitment: It involves the searching for and obtaining (pool) qualified job candidates in such numbers that the organization can select the most appropriate person to fill its job needs. It is the process of making a pool of qualified candidates.

d. Selection: It involves a series of steps by which the candidates are screened for choosing the most suitable person for vacant posts. Selection involves the process of reviewing application blanks, organizing interviews and tests and informing candidates. Information from the job analysis and human resource planning is normally used for selecting the right candidates and rejecting the wrong ones.

e. Socialization: It is the ongoing process of inspiring in all employees the prevailing attitudes, standards, values and patterns of behaviour that are expected by the organization. It is an adaptation process.

2. Development

Another basic function of human resource management is development. This function is concerned with developing

competent and skilled employees to organisation. It includes the following functions:

a. *Development Needs Analysis:* It is a continuous process to ensure the development of employee competencies, dynamism, motivation and attitudinal in a systematic and planned way. It aims at developing a variety of competencies of employees and developing a culture in the organisation to utilise these competencies and contribute to organisational growth.

b. *Training:* It is planned effort by an organisation to facilitate employees learning of job related knowledge and skills for the purpose of improving performance.

c. *Management Development:* It is a systematic process of training and growth by which individuals gain and apply knowledge, skills, insights and attitudes to manage work in organisations. It focuses on developing in a systematic manner the knowledge base, attitudes, basic skills, interpersonal skills and technical skills of managers.

d. *Career Development:* It involves tracking career paths of employees. It matches long-term needs of the individual and the organisation.

3. Utilisation

Utilisation is one of the most important functions of human resource management. It ensures willingness of employees for pursuing productivity. It consists of following functions:

a. **Motivation:** The management must encourage the employees by making provisions of financial and non-financial incentives linked with efficiency. Employee motivation is vital to the success of any organisation. It is concerned with why people do things and why one employee works hard and another not.

b. *Performance Appraisal:* It is the systematic evaluation of individuals with respect to their performance on the job and their potential for development. It helps to secure information necessary for making correct and objective decisions on employees. Human resource managers have to design appropriate appraisal techniques to get real performance feedback of the employees involved in different roles.

c. **Compensation Management:** It is the activity by which human resource management evaluates the contribution of employee in order to distribute fairly direct and indirect,

monetary and non-monetary reward within the organisation's ability to pay and legal regulations. Every organisation must develop and deliver its compensation, promotion, incentives, retirement and other benefit packages in a way that is adequate, equitable and acceptable to the employees.

4. Maintenance

Maintenance is also an important function or component of human resource management. It is concerned with retention of competent and skilled employees in the organisation and ensures that employees maintain their loyalty and commitment to the organisation. Maintenance consists of following functions:

a. **Labour Relations:** It denotes the relationship between workers and employers, between workers' organisation and employer's organisations and between these respective organisations and public authorities. Human resource management should establish the smooth labour relations by developing mechanisms such as employee-employer relations, grievance handling, labour-management consultative meetings, handling and settlement of disputes at workplace, employee representation in different HR related decisions and collective bargaining.

b. **Employee Discipline:** It is a condition in the organisation when employees conduct themselves in accordance with the organisation's rules and standards of acceptable behavior. Human resource management needs to encourage employees to behave in the way that makes sense at work.

c. **Grievance Handling:** Grievance is an employee's dissatisfaction or feeling of personal injustice relating to his or her employment relationship. Human resource management should be concerned with grievances, because they may be important indications of potential problems within the workforce.

d. **Employee Welfare:** Providing employee welfare is another important function of human resource management. The employee welfare includes various activities and programmes such as recreation, canteen facilities, sports, provisions of proper air, water, ventilation, lighting, temperature, safety and health, etc. Employees should feel

work. The challenges of HR managers today is to recognize talent and retain the most valuable and achieve significant productivity gains year period of time. The organization is nothing but people. Technological revolution and include materials source society have changed the rules of the game significantly. "In this scenario, organizations with similar set of resources gain competitive advantage only through effective and efficient management of human resources" (Dessler). The role of HR manager is shifting from a protector and nourisher to the planner and change agent. In period day competitive world, highly trained and committed employees are when a firm's best bet. HR manager plays an important role in planning and implementing downsizing, outsourcing and other cost-cutting initiatives. They make the organization into more responsive to innovation and technological changes. Employees are the assets of corporate success. HR professionals can help the organization in selecting and train the employees for any emerging situation and promote commitment of all employees at various levels. In this case the employees are work willingly and enthusiastically and that a competitive advantage to the organization. Now, employees are seen as the sources of competitive advantages.

A competitive human resources represents one of the most potent and valuable resources. Consequently, the extent to which a workforce is managed effectively is a critical element in improving and sustaining organizational performance. Managing people is one of the most difficult aspects of organizational management; it means dealing with people who differ physically and psychologically. Human Resources Management emerged as a practical personnel function, promoting flexibility, and organizations and realized increased in the value of the employee. The organizational context in which the human resources management finds itself currently is one of the rapid change and considerable uncertainty. Human resources management is also in the process of change with regard to the nature of the role performed. In the past, human resources management professionals performed many functions themselves. The role they are taking on now is one of consultant to line managers, where line managers perform many functions traditionally handled by human resources management professionals. Similarly, the trend is for businesses to shed all functions not directly related to core business.

The changes surrounding us are not mere trends but the working of large-scale forces, globalization, which has opened enormous new markets and a necessary corollary, enormous numbers of new competitors, the spread of information technology and the growth of networks, the downsizing of the corporate hierarchy and the politically charged downsizing and job disruptive that accompany it.

The new economy is moving away from being asset-intensive towards becoming more knowledge intensive. The focus is thus moving from providing product to providing services. As most organizations have

Inputs

Inputs are the components that are used as primary resources for organizational output. Inputs of HRM system consists of following factors

a. **Human Energy and Competencies:** Human energy is represented by physical strength whereas competencies are represented by knowledge, skills, attitudes, experiences and potential for growth. All employees should have such energy and competencies.

b. **Organizational Plan:** It states the organizational goals, strategy and targets within which human resource management functions. Organizational plan determine future human resource needs. It helps in estimating the demand for human resource based on organizational activities.

c. **Human Resource Plan:** It determines the future human resource needs and indicates the human resource requirement. It also matches future human resource demand with supply. It involves estimating the size and composition of the future workforce.

d. **Human Resource Inventory:** It states the currently available human resources in the organization. It includes a list of employees, education, training prior employment, current position, performance ratings, salary level, language spoken, capabilities and specialized skills for every employee in the organization.

e. **Job Analysis:** It is the process of determining the tasks that make up the job and the skills, abilities, and responsibilities that are required of an individual to successfully accomplish the job. Basically, job analysis specifies job requirements, qualifications and skills required for various jobs.

f. **Labour Market:** It is the source of external supply for human resources. The required human resources can be supplied by labour market.

2. **Processing**

Processing is the system of converting inputs into desired outputs. Processing of HRM system consists of following factors:

a. Acquisition: Acquisition ensures that the right people will be in right place at the right time so that organization can achieve its overall goals. It consists of recruitment, selection and socialization.

- Recruitment: It is the process of seeking and attracting a pool of applicants from which qualified candidates can be selected.
- Selection: It involves choosing from the available candidates.
- Socialization: It is the process of adaptation of new employees to their environment and culture.

b. Development: It is intended to improve the performance of employees. It ensures proper competencies of employees to handle their jobs and positions. It comprises an analysis of HRD needs, employee training, management development and career development.

- Analysis of HRD Needs: It consists of formulating human resource development plans that aim at developing a variety of competencies of employees and developing a culture in the organization to utilize these competencies and contribute to organizational growth.
- Employee Training: It is planned effort by an organization to facilitate employees' learning of job related knowledge and skills for the purpose of improving performance.
- Management Development: It is concerned with the enhancement of manager's conceptual abilities.
- Career Development: It is the continual effort to match long-term individual and organizational needs. It assists employees in their personal improvement efforts.

c. Utilization: It ensures willingness of employees for increasing productivity. It includes practices on motivation, performance appraisal, and compensation management.

- Motivation: The management must encourage the employees by making provisions of financial and non-financial incentives linked with efficiency.
- Performance Appraisal: It is the systematic evaluation of individuals with respect to their performance on the job and their potential for development.

Managerial Hierarchy: Level of Management.

- Compensation Management: It is the activity by which human resource management evaluates the contribution of employee in order to distribute fairly direct and indirect, monetary and non-monetary reward within the organization's ability to pay and legal regulation.

d. Maintenance: It is concerned with retention of competent and skillful employees in the organization and ensures that employees maintain their loyalty and commitment to the organization. It consists of labour relations and employee welfare.

- Labour Relations: It denotes the relationship between workers and employers, between workers' organization and employer's organizations. HRM should establish the smooth labour relations by developing mechanisms such as employer-employee relations, grievance handling, labour-management consultative meetings, handling and settlement of disputes at workplace, employee representation in different HR related decisions and collective bargaining.
- Employee Welfare: It includes various activities and programmes such as recreation, canteen facilities, sports, provisions of proper air, water, ventilation, lighting, temperature, safety and health, etc. Employees should feel themselves secure. They should be free from accidents, remain secured and expect a prosperous future.

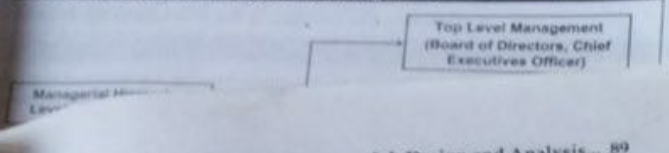
3. Outputs

They are the achievement of HRM system. Outputs of HRM system consists of following factors:

a. Organization-related Outputs: They consist of following organization-related outputs:

- Goals Achievement: HRM helps to achieve overall organizational goals such as profit, service, leadership, competitive advantage, etc.
- Quality of Work Life: It is concerned with creating a working environment that is conductive to the satisfaction of employee needs. Quality of work life includes autonomy, recognition, belonging, and external rewards.
- Productivity: It is the amount of work that is being produced in the organization in terms of how much and

Figure 2.5 Managerial Hierarchy: Level of Management.



technical approach, the entire job situation, including its physical and social environment is kept in view while designing the jobs. This approach merges the technical needs of the organization with the social needs of the employees. Hence, it is a situational approach as it assesses the technical requirements and social surroundings of the job.

Essential Elements of Socio-Technical Approach

The essential elements of socio-technical approach are as follows[11]:

- A job needs to be reasonably demanding for the individual.
- Employees need to be able to learn on the job and to go on learning.
- Employees need some minimum area of decision-making that they can call their own.
- Employees need some minimal degree of social support and recognition at the workplace.
- Employees need to be able to relate what they do and what they produce to their social life.

5. Concept of Job Analysis

Job is a 'group of tasks to be performed everyday." Job analysis is a process of collecting information about the job. It is the process of describing the nature of a job and specifying the human requirements, such as skills, and experience needed to perform it. In other words, job analysis is a formal and detailed examination of jobs. It is the determination of tasks, which comprise the job and of the skills, knowledge, abilities, and responsibilities required of the holder for the successful job performance.

T. N. Chhabra – "Job analysis is a detailed and systematic study of jobs to know the nature and characteristics of people to be employed for each job."

Dale Yoder – "Job analysis is the procedure by which the facts with respect to each job are systematically discovered and noted."

Decenzo and Robbins – "A job analysis is a systematic exploration of the activities within a job. It is a basic technical procedure one that is used to define the duties, responsibilities and accountabilities of a job."

Dr. Kumaraswamy of Human Resource Management

M.E. Dimock :- "Job analysis is an accurate study of the nature, components of job. It is concerned not only with an analysis of the duties and conditions of work, but also with the qualifications of the worker."

Edwin B. Flippo :- Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job."

United States Department of Labour :- "Job analysis is defined as the process of determining, by observation and study, facts regarding pertinent information relating to the nature of a specific job. It is the determination of the tasks that comprise the job and of the skills, knowledge, abilities, and responsibilities required of the worker for successful performance and which differentiate the job from all others."

Gary Dessler :- "The job analysis is the procedure for determining the duties and skill requirements of the job and the kind of people who should be hired for it."

Schuler :- "Job analysis is the process of describing and recording several job aspects, behaviours and separate skills and abilities of jobs in a given organizational setting."

Thus, job analysis is the process of getting information about the job holder's skills, education and training to carry out the job effectively and sense on time for completion and performance standard. It is detailed and systematic study of information relating to the operations and responsibilities of a specific job. Job analysis helps to understand the qualities needed by employees, defined through behavioral description, to provide optimum work performance. These qualities range from personality characteristics and abilities to specific skills and knowledge.

A job analysis results in two important documents:

- ***Job Description:*** *It is written record of the duties, responsibilities and requirements of particular jobs. It is concerned with the job itself and not with the work. It is a statement describing the job in such terms as its title, location, duties, working conditions and hazards. In other words, it tells us "what is to be done, and how it is to be done and why." It is a standard of function, in that it defines the appropriate and authorized contents of a job.*

- ***Job Specifications:*** *Job specification is a standard of personnel and designates the qualities required for an acceptable performance. It is a written record of the requirements sought in an individual assigned for a given job. In other words, it states in a summary of the personnel characteristics required for a job. It is a statement of the minimum acceptable human qualities necessary for the proper performance of a job.*

4. Purposes of Job Analysis

Job analysis is a process to identify and determine in detail the specific job duties and requirements and the relative importance of these duties for a given job. Its basic purposes are as follows:-

1. ***Human resource planning***

   The numbers and types of personnel are determined by the jobs, which need to be staffed. Job related information in the form of job analysis serves this purpose in use. Job analysis also defines labour needs in concrete terms and coordinates the activities of the work force, and clearly decides duties and responsibilities.

2. ***Recruitment and selection***

   Recruitment precedes job analysis. It helps HR manager to locate places to obtain employees. It also helps in better continuity and planning in staffing in the organization. Also selecting a good candidate also requires detailed job information, because the objective of hiring is to match the right candidate for right job.

3. ***Training and development***

   Training and development programs can be designed depending upon job requirement and analysis. Selection of trainees is also far desired by job analysis.

4. ***Job evaluation***

   Job evaluation means determination of relative worth of each job for the purpose of establishing wage and salary criterionals. This is possible with the help of job description and specifications i.e. job analysis. Job analysis is used as a foundation for job evaluation.

5. ***Remuneration***

   Job analysis also helps in determining wage and salary for all jobs. By indicating the qualification required for doing a

7. Collecting Job Analysis Information

Job analysis is the process of collecting information about jobs and the characteristics of job holders. So this analysis depends on reliable job information. Job analysts have to collect the following job related information for proper job analysis:

1. **Work activities**

   This information consists of following information relating to the job and worker-oriented activities.

   a. **Job-oriented activities:** These activities are concerned with what the workers do. These activities are usually expressed in terms of what is accomplished, sometimes indicating

how, why, and when a worker performs the activity. They can be as follows:

- Work activities & processes
- Procedures used
- Activity records (films, etc.)
- Personal accountability or responsibility
- Hazards of job
- Complexity and timing

b. **Worker-oriented activities:** These activities are concerned with how the job is performed. They can be as follows:

- Human behaviours performed at work: sensing, decision making, performing physical actions, communicating etc.
- Elemental motions such as those used in methods analysis
- Personal job demands such as energy expenditure, etc.

2. **Machine tools, equipments, and work aids used**
They are concerned with what the workers use. They can be as follows:
- Types of machines and tools
- Materials used

3. **Job-related tangibles and intangibles**
They consist of information related with following matters:
- Material processed
- Products made
- Knowledge dealt with or applied such as law or chemistry
- Services rendered such as laundering and repairing

4. **Work performance**
This is concerned with performance standards. They can be as follows:
- Work measurement i.e. time taken
- Work standards
- Error analysis
- Other aspects

5. **Job context**
It is concerned with the job context in terms of following matters:
- Physical working conditions
- Work schedule
- Organizational context

Figure 0.5 Managerial Hierarchy: Level of Management.

- Social context
- Incentives such as financial and non-financial

Personal requirements
They are concerned with the various personal attributes such as:
- Job related knowledge/skills such as education, training, work experience, etc.
- Personal attributes such as aptitudes, physical characteristics, personality, interests, etc.

Sources of Information for Job Analysis

Job analysis information can be collected from various sources. The sources can be as follows:

1. **Employees**
Employees are reliable source of every kind of information relating to job. They can provide on-the-job and off-the-job information to the job analysts.

2. **Independent Experts**
They are the experts of preparing job descriptions and specifications. They can provide information about the job and other job related aspects of the organization.

3. **Job Review Committee**
Job review committee can be one of the reliable sources of job analysis information. Such committee consists of representatives from human resource department, engineering department and labour unions. They review the job for analysis purposes.

4. **Supervisors**
They are the specialists of particular jobs. They have the knowledge of job and supervise the employees while the job is being done. They deal with the problems that arise while the job is being performed by employees. So, they can provide valuable information to the job analysis team.

5. **Other Sources (Non-Human Sources)**
Other sources consist of the sources except the above mentioned sources. They consist of existing job description and specification, equipment maintenance records, blueprints, equipment and architectural designs of work areas, films, workers on the job, training manuals, published literature on job analysis, etc. Sometime, job related information can be obtained through various kinds of media such as radio, television, press media, etc.

Have a Look: Non-Human Sources

1. Existing job descriptions and specifications
2. Equipment maintenance records
3. Equipment design blueprints
4. Architectural blueprints of work area
5. Films of employee working
6. Training manuals and materials
7. Magazines, newspapers, literatures

8. Methods of Collecting Job Information

A variety of methods, are used to collect information about jobs. None of them, however, is perfect. In actual practice, therefore, a combination of several methods is used for obtaining job analysis data. These are discussed below[1]:

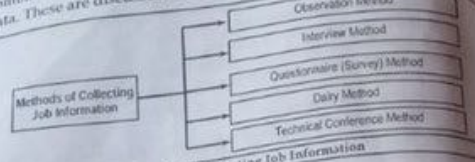


Figure 3.2: Methods of Collecting Job Information

1. **Observation Method**

In this method, the job analyst observes the worker(s) doing the job. The tasks performed, the pace at which activities are done, the working conditions, etc., are observed during a complete work cycle. During observation, certain precautions should be taken:

- The analyst must observe average workers during average conditions.
- The analyst should observe without getting directly involved in the job.
- The analyst must make note of the specific job needs and not the behaviours specific to particular workers.
- The analyst must make sure that he obtains a proper sample for generalization.

This method allows for a deep understanding of job duties. It is appropriate for manual, short period job activities. This method

Figure 2.3 Managerial Hierarchy: Level of Management

is simple and the data collected are accurate because of direct observation. On the negative side, the method fails to take note of the mental aspects of jobs. This method is time consuming and inapplicable to jobs which involve high proportions of unobservable mental activities and those which do not have complete and easily observable job cycles.

2. **Interview Method**

The interview method consists of asking questions to both job holders and supervisors in either an individual or a group setting. The interview can be structured or unstructured interview. The reason behind the use of interview method is that jobholders are most familiar with the job and can supplement the information obtained through observation. Workers know the specific duties of the job and supervisors are aware of the job's relationship to the rest of the organization. Due conscientiousness must be exercised while using the interview method. The interviewer must be trained in proper interviewing techniques. It is advisable to use a standard format so as to focus the interview to the purpose of the analyst. This method allows explanation of better unclear questions. Uncertain answers can be probed. Better accuracy is ensured for assessing what a job entails. On the negative side, this is also a time consuming method in case of large organizations. Furthermore, professional and managerial jobs are more complicated to analyze and usually require longer interview. Plus there is also a problem of bias. Bias on the part of the analyst and the jobholder may confuse the accuracy and objectivity of the data obtained.

3. **Questionnaire Method (Survey Method)**

The questionnaire is a widely used method of analyzing jobs and work. In this method, a standard questionnaire is given to jobholder about his job, which can be filled and given back to supervisors or job analysts. The questionnaire may contain job title, jobholder's name, manager's name, reporting staff, description of job, list of main duties and responsibilities, etc. It is useful in large number of staffs and less time consuming. There is chance of participation of all the jobholders in the method. However the accuracy of information leaves much to be desired.

4. **Diary Method**
Jobholders are asked to keep diaries or logs of their daily activities - according to this method - and record the amount of time spent on each activity. By analyzing these activities over a specified period of time, a job analyst is able to record the job essential characteristics. If done faithfully this method is accurate and eliminates errors caused by memory lapses. However, it is a time consuming and costly exercise in that the analyst has to record entries for a painfully long time. No wonder, the dairy method is not used much in practice.

5. **Technical Conference Method**
Under this, specialists and technicians with extensive knowledge of the job are interviewed to collect information for job analysis. This method provides information from experts and specialists. However, supervisors and experts may lack familiarity with the complexity of jobs. The information may lack accuracy because the actual job holders are not involved in collecting information.

These are the methods of collecting job information. However these methods are not to be viewed as mutually exclusive. None of them is universally superior. The best results can be obtained by a combination of these methods.

9. Job Analysis Techniques

Job analysis is the procedure for identifying those duties or behaviors that define a job. There are basically two specialized techniques for job analysis. There are as follows:

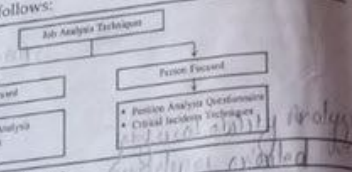


Figure 3.3: Techniques of Job Analysis

1. **Job Focused Techniques**
They are concerned with tasks that make up various jobs. Using these techniques, the job analyst describes jobs in terms of task or activity. The major job focused techniques are as follows:

Figure 3.1 Managerial Hierarchy: Level of Management

a. **Functional Job Analysis (FJA)**
This technique was developed by the United States Training and Employment Service in the US Department of Labour. FJA is used to describe the nature of jobs in terms of people, data and things and to develop job descriptions, job summaries, and job specifications. Under FJA, attention is directed to four aspects of each job such as worker's functions, worker's field, worker's products and worker's traits.

- **Worker's Functions**: This analyses the work performed by a job holder on a daily basis. It consists of the data and information related to what a job holder does in relation to data, people and things in the organization. There three main functions of the clerical employee are given below:

Worker function in Functional Job analysis		
Data	People	Things
0. Synthesizing	0. Mentoring	0. Setting up
1. Coordinating	1. Negotiating	1. Precision working
2. Analyzing	2. Instructing	2. Operating-controlling
3. Compiling	3. Supervising	3. Driving-operating
4. Computing	4. Directing	4. Manipulating
5. Copying	5. Persuading	5. Tending
6. Comparing	6. Speaking	6. Feeding
	7. Serving	7. Handling
	8. Helping	

Source: US Department of Labour (1977).

- **Worker's Field**: This analyses the methods and ways of performing the responsibility of a job holder. Moreover, this analysis consists of machines, equipments, parts, methods of operating machines, repairs and maintenance policies, etc.
- **Worker's Products**: They can be raw materials, finished products, services, etc.
- **Worker's Traits**: They consist of basic qualities which are needed in workers. The major traits can be morality, responsibility, discipline, accountability, attitude, patience, interest, training, aptitudes, temperaments, etc.

b. **Method Analysis**
This technique provides a description about how to do a job more efficiently. It is based on the analysis of technical

methods of doing things. In this technique, the movements and procedural steps used to perform a job are recorded, so that an effective description of doing the job most efficiently can be prepared. The organizations that depend on manual human labour to carry out repetitive and routine jobs use this method.

c. **The Hay plan**

This plan is based on an interview between job analysts and the person in the job. The main purposes of analyzing jobs include: planning for management development; recruitment, selection and placement decisions; job evaluation; and organizational analysis. Basically, the Hay plan is used to analyze managerial jobs.

Have a Look: Management Position Description Questionnaire (MPDQ)

This method has been designed to analyze jobs in the managerial positions. It performs a statistical analysis of job factors to find out these job-factors concerning the individual manager's position. It is a highly structured questionnaire that makes use of a checklist containing 208 items of job factors related to managers' concerns, responsibilities, restrictions, demands and other position characteristics. These 208 items are grouped under the 13 categories as shown below:

Management Position Description Questionnaire Categories

1. Product, marketing and financial strategy planning
2. Coordination of other organisational units and personnel
3. Internal business control
4. Products and services responsibility
5. Public and customer relations
6. Advanced consulting
7. Autonomy of actions
8. Approval of financial commitments
9. Staff service
10. Supervision
11. Complexity and stress
12. Advanced financial responsibility
13. Broad personnel responsibility

Source: Aswathappa, K. (2002). Human Resource and Personnel Management. New Delhi: Tata McGraw Hill, 2nd Edition, p 97.

Figure 2.3 Managerial Hierarchy: Level of Management.

2. **Person Focused Techniques**

Instead of job activity that describes the relevant job, this technique analyzes the behavioural requirements of the jobs. The techniques under the person focused techniques are as follows:

a. **Position Analysis Questionnaire (PAQ)**

This was developed by a group of researchers at Predue University to analyze any job in an organization. It focuses on work-related behaviors that employees must display to successfully perform a job, related to information input, mental processes, work output, relationships, job context and other job characteristics.

Mainly, the PAQ contains 194 items within 27 division job dimensions and five overall job dimensions. These 194 elements are divided into the six categories such as: information input, mental processes, work output, relationships, job context and other job characteristics[11].

Have a Look: PAQ: Job Elements into 6 Activity Categories

Categories	Explanation	Number of Job Elements
A. Information Input	• Where and how does the worker get the information he or she uses on the job	35
B. Mental Process	• What reasoning, decision making, planning etc. are involved in the job	14
C. Work Output	• What physical activities does the worker perform and what tools or devices used	49
D. Relationship with Other Person	• What relationship with other people are required in the job	36
E. Job Context	• In what physical and social contexts is the work performed	19
F. Other job Characteristics	• Other characters than above mentioned	41

The six categories are as follows:

- **Information Input**: It consists of the sources of information that the job holder uses on the job. It includes 35 job elements.

- **Mental Process**: It is concerned with reasoning, decision making, planning and other mental activities that are involved on job analysis. It includes 14 job elements.
- **Work Output**: It is concerned with the physical activities of workers and tools or equipments used by them on the actual job floor. It includes 49 job elements.
- **Relationship with Other Person**: It is concerned with working relationship among workers in the organization. It explains what should be the interpersonal relationship with other people on the job context. It includes 36 job elements.
- **Job Context**: It is concerned with physical and social context of the job. It includes 19 elements which influence the level or degree of work performed by the workers.
- **Other Job Characteristics**: In this category, the job characteristics other than involved in above categories are included. There are 41 job elements under this category.

The PAQ has been used to analyze hundreds of jobs held by thousands of people. This technique is based on interviews of workers and supervisors to collect information to identify job behaviours and classify jobs.

b. **Critical Incidents Techniques**

It is a qualitative approach to job analysis used to obtain specific, behaviourally focused descriptions of work or other activities. Mainly, this technique focuses on the work being done and provides valuable insight into job dynamics. It involves a written description of effective and ineffective worker-behaviour and critical incidents which are categorized and analyzed to get a picture of actual job departments. In our practical life, the jobs and public relation-areas require the critical incident techniques.

10. Job Description

Job description is a factual statement of the duties and responsibilities of a specific job. It gives an indication of what is to be done, how it is to be done and why it is to be done. In other words, job description is written record of the duties, responsibilities and requirements of particular jobs. It is concerned with the job itself and not with the work. It is a statement describing the job in such terms as its title,

Figure 2.5 Managerial Hierarchy: Level of Management.

location, duties, working conditions and hazards. It is a standard of function, in that it defines the appropriate and authorized contents of a job.

Gary Dessler – "Job description is a list of jobs duties, responsibilities, reporting relationships, working conditions and supervisory responsibility-one product of job analysis."

Edwin B. Flippo – "The first and immediate product of the job analysis process is the job description. As its title indicates, this document is basically descriptive in nature and constitutes a record of existing and pertinent job facts."

Thus, job description is an important document, which is basically descriptive in nature and contains a statement of job analysis. It provides both, organizational information (location in structure, authority, etc) and functional information (what the work is). It defines the scope of job activities, major responsibilities, and positioning of the job in the organization. It provides the worker, analyst and a supervisor with a clear idea of what the work must do to meet the demands of the job. It concerns such functions as planning, coordinating and assigning responsibility. Though job description is not assessment, it provides an important basis for establishing assessment standards and objectives.

Major Components Job Description

The contents of job descriptions are as follows:

1. **Title and level of job**: They explain about what the particular job is all about .
2. **Location of job**: It explains about the name of the department where the job under consideration exists in the organization. It also explains about the physical location of the job.
3. **Relationships**: It explains the relationship between managers and subordinates.
4. **Job summary**: It tells about a brief history of job. It is a short paragraph which explains the tasks and activities to be performed by a job holder.
5. **Duties and responsibilities**: They explain about the task to be performed by an employee.
6. **Authority**: It explains the rights to make decisions and give orders to subordinates.

7. **Accountability**: It explains the answerability for standards of performance.
8. **Organizational interactions**: It explains interactions both within and outside the organization.

Have a Look: Format of Job Description

Gandaki Hospital
Job Description

JOB CODE : A/A/2
JOB TITLE : Administrative Officer/Administrator
Job Responsibilities

1. To carry out the responsibilities of oversight of the hospital.
2. To approve and sign all agendas and minutes of the Administrative Committee.
3. To ensure that the Administrative Committee operates within constitutional provisions.
4. As Executive Officer of the Administrative Committee, to ensure that its decisions are implemented.
5. To ensure that the hospital and its outlying units function effectively at all times.
6. To actively participate in and by other means to give leadership to professional and spiritual matters of the whole institution.
7. To accept spiritual leadership of the hospital community.
8. To be the channel of communication to and from the hospital and its outlying units as well as to the Board of Management.
9. To be the legal representative of the hospital in all matters and to represent its view in public meetings and to civic bodies.
10. To foster the concept and practice of team management among senior members of the staff.
11. To communicate with the Executive Secretary evaluating and commenting on the current situation in the hospital and other units.
12. To receive suggestions and plans for improvement to the hospital. Purchase of new equipment, design of building etc. should be subject to the approval of the Board.
13. To finally approve the employment of new recruits and termination of services and allocation of salaries with increments within the provision of the hospital budget.

Have a Look: Features of Good Job Description

1. Up to date
2. Proper Job Title
3. Comprehensive Job Summary
4. Clear duties and responsibilities
5. Easily understandable
6. State job requirements

Figure 2.3 Managerial Hierarchy: Level of Management.

7. Specify reporting relationships
8. Showcase degrees of difficulties
9. Indicates opportunities for career development
10. Offer bird's-eye-view of primary responsibilities

11. Job Specification

Job specification provides information on the human attributes in terms of education, skills, aptitudes and experience necessary to perform a job effectively. It is a standard of personnel and designates the qualities required for an acceptable performance. It is a written record of the requirements sought in an individual worker for a given job. In other words, it refers to a summary of the personnel characteristics required for a job. It is a statement of the minimum acceptable human qualities necessary for the proper performance of a job.

Edwin B. Flippo – "A job specification is a statement of the minimum acceptable human qualities necessary to perform a job properly."

Dale Yoder – "The job specification as a summary is a specified job description, emphasizing personnel requirements and designed especially to facilitate selection and placement."

Gary Dessler – "Job specification is a list of jobs 'human requirements', that the requisite education, skills, personality and so on."

Thus, job specification involves listing of employee qualifications, skills and abilities required to meet the job description. These specifications are needed to do job satisfactorily. It is a statement of minimum and acceptable human qualities necessary to perform job properly. Job specifications translate the job description into terms of the human qualifications that are required for a successful performance of a job. They are intended to serve as a guide in hiring and job evaluation. As a guide in hiring, they deal with such characteristics as are available in an application with testing interviews and checking of references.

Major Components of Job Specification

The contents of job specification are as follows:

1. **Education and Training**: They specify required level of education for each post that a job holder is supposed to hold.

Likewise they also specify years of schooling, types of training, etc.

2. **Experience:** It specifies the required level of experience in doing a particular task. An experience employee will be preferable in comparison to the fresh candidates in most of the jobs.
3. **Physical Health:** It specifies body structure, physical ability and other aspects of health and fitness.
4. **Skills:** They specify various skills such as communication, computer, driving, report writing, etc.
5. **Abilities:** They specify physical and mental abilities of employees.
   - **Physical abilities:** They can be strength and dexterity, sitting/standing/walking, etc.
   - **Mental abilities:** They can be associated with the ability of decision making, managing emotions and sorrows, dealing with different kinds of people, etc.
6. **Maturity:** It specifies capacity to assume increased responsibilities.

Have a Look: Format of Job Specification

CG Instant Noodles
Human Resource Department
Job Specification

Position	: Marketing Manager
Level	: 8
Location	: Central Office Birganj. Frequent visit to different parts of the country. Some time abroad if required (India, Srilanka)
Responsible for	: Market area expansion. Enhance brand awareness. Sales promotion. Mediating between customer and the authority (Management). Leading the team.
Responsible to	: Director, Sales Department.
Job Specification	
Education	: MBS/MBA with Marketing
Experience	: Two years experience in related field.
Training	: Consumer behaviour. Sales Management.
Communication Skill	: Nepali, English, Hindi
Health	: Sound
Abilities	: Eager to take any responsibility. Ready to travel through out the country and abroad. Able to convince customers.

Figure 2.1 Managerial Hierarchy: Level of Management.

Difference between Job Description and Job Specification

There are some differences in between job description and job specification. Some of them are as follows:

	Job description	Job specification
1.	It is written record of the duties, responsibilities, and requirements of particular jobs.	It is a written record of the requirements sought in an individual worker for a given job
2.	It is a standard of function, in that it defines the appropriate and authorized contents of a job.	It is a standard of personnel and designates the qualities required for an acceptable performance.
3.	It provides the worker, analyst, and a supervisor with a clear idea of what the work must do to meet the demands of the job.	It specifies the individual abilities, skills, and knowledge of performing tasks.
4.	It is an outcome of job analysis.	It is based on statistical analysis of judgment.
5.	The components of job description are: mental functions, relations with others, physical demands (strength, movement, auditory, vision, etc.), environmental conditions, and physical surroundings, equipment used and hazards.	The components of job specification are: physical characteristics, psychological characteristics, personal characteristics, and other biological characteristics.

Have a Look : Combination of Job Description and Job Specification

Director-Human Resources

Out client is a large specialty chemicals corporation with a global presence. The organization has an impressive growth and profitability record. Its corporate mission is to become a key international player in its field and it invites your to join the top management team to accomplish this challenging task.

You would be responsible for:

- Providing leadership to a team of managers in training and development, personnel's and industrial relations.
- Providing process and system inputs for enabling the company to achieve the goal of continuous performance improvement across the organization.
- Influencing the management style and culture for creating an environment of excellence and in fostering a feeling of ownership among the employees.
- Periodically reviewing and restructuring the organization as required by changing market scenario and business strategy.

Success in this assignment requires a total business perspective with specialization in Personnel Management and Organizational Development.

You should possess a post graduate qualification in management with a proven track record of achievement in the above areas. The position requires a high degree of initiative, tenacity and strategic influencing skills. The preferred age is around 30-35 years.

If you are confident of your abilities and enjoy challenge, this could be the opportunity your are looking for. Our client ranks amongst the best physical organizations in Nepal. The position offers ample opportunities for career growth

Please send your detailed resume through speed post. Your identity will not be disclosed to the client until we have discussed the position with you in detail.

Have a Look: Job Design Around the World

Many contemporary breakthroughs and innovations to job design were developed and pioneered abroad. As far back as 1951, for example, researchers at the London Tavistock Institute conducted important pioneering studies of jobs in the coal-mining industry in England. They examined a wide variety of work arrangements and found the fact that flexibility in the manner in which jobs were performed improved interpersonal relationships among employees could be a critical part of organizational effectiveness. Another research, conducted in textile units in India, focused on the relationship between people and technology. The findings led managers to better appreciate the importance of both technical systems and social systems in organizations.

But, perhaps, the most ambitious experiment in job design took place in Sweden. In, the nearly 1970's Volvo was planning to build a new assembly plant near the town of Kalmar. In designing the new factory, the firm's managers decided to see if they could change the traditional approach to jobs in the automobile industry to offset many of the negative factors associated with traditional assembly-line work. They constructed the entire facility to promote a better job design and a more pleasant work environment for Volvo employees. For example, each worker was assigned a space that felt like a small workshop rather than a large factory. Natural lighting was emphasized, and each bay had a separate lounge and rest facilities for the workers assigned there.

Instead of using a traditional assembly line, the firm installed computer-guided trolleys that rolled along the floor. The workers moved around the trolleys to perform their tasks rather than standing stationery, while the car moved past them. This gave them the flexibility to move the trolley off the line when a serious problem arose with the car on that particular trolley. Thus, the problem could be attended to without slowing down the entire line. While construction costs in the factory are about 10 percent more than a traditional automobile plant, Volvo management believed that improvements in the quality of both work life and products that resulted, compensated for at least some of the additional costs.

Source: Moorhead and Griffin. Organizational Behaviour, p.176.

Figure 2.3 Managerial Hierarchy: Level of Management.

Top Level Management (Board of Directors ...)

12. Job Evaluation

Job evaluation is a formal process by which an organization determines how worthy the job is against other jobs in the organization. The aim of job evaluation is to provide a systematic and consistent approach to defining the relative worth of jobs within a workplace, single plant or multiple site organization. It is a process whereby jobs are placed in a rank order according to overall demands placed upon the jobholder. It therefore provides a basis for a fair and orderly grading structure.

Job evaluation does not determine actual pay. That is a separate operation, normally the subject of negotiation between management and employees or their trade union representatives. Only the job is evaluated, not the person doing it. It is a technique of job analysis, assessment and comparison and it is concerned with the demands of the job, such as the experience and the responsibility required to carry out the job.

W.L. French – "Job evaluation is a process of determining the relative worth of the various job within the organization, so that differential wages may be paid to jobs of different worth."

Richard I. Henderson – "A systematic approach to determining the relative value or worth of each job in an organization is referred to as job evaluation."

Thus, job evaluation involves determination of relative worth of each job for the purpose of establishing wage and salary differentials. Relative worth is determined mainly on the basis of job description and job specification only. Job evaluation helps to determine wages and salary grades for all jobs. Hence, job evaluation is a process of analyzing and assessing the various jobs systematically to ascertain their relative worth in an organization.

Job Evaluation Methods

The relative worth of the various jobs within an organization may be evaluated formally by comparing one against another by comparing them against a scale that has been constructed for this purpose. Basically, there are following four methods of job evaluation:

1. **Factor comparison method**

   It is a more systematic and scientific method of job evaluation. Though it is the most complex method of all, it is consistent and

appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill, mental responsibility, supervisory responsibility, working conditions and other such factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighted by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor.

2. **Point method**

This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritizing each factor in order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:

- Select key jobs. Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.
- Divide each major factor into a number of sub factors. Each sub factor is defined and expressed clearly in the order of importance, preferably along a scale.

3. **Job classification/grading method**

According to this method, a predetermined number of job groups or job classes are established and jobs are assigned to these classifications. This method places groups of jobs into job classes or job grades. Separate classes may include office, clerical, managerial, personnel, etc. Following is a brief description of such a classification in an office.

- **Class I- Executives**: Further classification under this category may be Office Manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.
- **Class II- Skilled workers**: Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.
- **Class III- Semiskilled workers**: Under this category may come typists, Machine-operators, Switchboard operator etc.

Figure 2.3 Managerial Hierarchy: Level of Management.

Top Level Management (Board of Directors, Chief Executive ...)

- **Class IV- Semiskilled workers**: This category comprises Drafters, File clerks, Office boys, etc.

4. **Ranking method**

Under this method the jobs are arranged in order of importance, begging with the most important to the least important job in the organization. The importance is determined by a committee or the supervisor or job analyst on the basis of the part played by above mentioned factors in each. No points or weights are used.

Scope of Job Evaluation

The job evaluation is done for the purpose of wage and salary differentials, demand for and supply of labor, ability to pay, industrial parity, collective bargaining and the like.

Pitfalls of Job Evaluation

Some of the pitfalls of job evaluation are as follows:

- Encourages employees on how to advance in position when there may be limited opportunities for enhancement as a result of downsizing.
- It promotes internal focus instead of customer orientation
- Not suitable for forward looking organizations, which has trimmed multiple job titles into two or three broad jobs.

Summary

Meaning of Job, Task, Position and Occupation

1. Job: A job may is a collection or aggregation of tasks, duties and responsibilities which as a whole is regarded as a regular assignment to individual employees. It can be independent job, interrelated job or fully related job.
2. Task: A task is a meaningful unit of work activity generally performed on the job by one employee. It is a distinct work activity carried out for a specific purpose.
3. Position: A position constitutes the whole unit of work assignment.
4. Occupation: A grouping of similar jobs or job families across organizations is termed as occupation.

Concept of Job Design

Job design is the development and alteration of the components of a job (such as the tasks one performs, and the scope of one's responsibilities) to improve productivity and the quality of the employees' work life.

Benefits of Job Design

1. Organization Design
2. Need Balancing
3. Human Resource Acquisition
4. Motivation
5. Person-Job Fit
6. Labour Relations
7. Quality of Work Life

1. Meaning and Concept of Recruitment

Recruitment is one of the important acquisition functions of human resource management that makes possible to acquire the number and types of people necessary to ensure the continued operation of the organization.

There can be vacancies of jobs in an organization. Vacancies can occur due to mobility of human resources (i.e. transfer, promotion, retirement, resignation, dismissal, disability or death of employees) and growth of business (i.e. expansion, diversification, growth, job redesign and technological up-gradation). Recruitment is needed to fulfill job vacancies. In this regard, recruitment is the process of discovering of potential candidates for actual or anticipated organizational vacancies or from other perspective, it is a linking activity- bringing together those with jobs to fill and those seeking jobs. In other words, recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

Ivancevich and Glueck – "Recruiting is that set of activities an organization uses to attract job candidates who have the abilities and attitudes needed to help the organization achieve its objectives."

Edwin B. Flippo – "Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in organization."

Decenzo and Robbins – "Recruiting is the discovering of potential candidates for actual or anticipated organizational vacancies."

Schular and Huber – "Recruitment involves the searching for and obtaining (of) qualified job candidates in such numbers that the organization can select the most appropriate person to fill its job needs."

Mondy and Noe – "Recruitment is the process of encouraging qualified people to make application for employment with a firm."

Thus, recruitment is the process of finding and attracting capable applicants for employment. It is, therefore, the managerial process of finding right people for right position at the right time in the right numbers and right types of people necessary to ensure the continuous operation of the organization. The process begins when new recruits are sought and ends when their applications are submitted. The result

Figure 3.4 Managerial Hierarchy: Levels of Management

of pool of applicants from which new employees are selected. The ultimate objective is to create a pool of the prospective job candidates. Both internal and external sources of recruitment may be explored. Internal sources may be used to a limited extent. For fresh talent and wider choice external sources are used.

Recruitment, logically, aims at:

- Attracting a large number of qualified applicants who are ready to take up the job if it's offered.
- Offering enough information for unqualified persons to self-select themselves out (for example, the recruitment advertisement of a foreign bank may invite applications from chartered accountants who have cleared the CA examination in the first attempt only).

Have a Look: Reasons of Job Vacancies[1]

Recruitment is needed to fulfill job vacancies. Vacancies can occur due to following reasons:

1. **Mobility of Human Resources:** This can result from transfer, promotion, retirement, resignation, dismissal, disability, and death of employees.
2. **Growth of Business:** This can result from expansion, diversification, acquisition, growth, job redesign and technological up-gradation of business.

Purposes and Importance of Recruitment

The general purpose of recruitment is to provide a pool of potentially qualified job candidates. Specifically, the purposes are to[2]:

1. Determine the present and future requirements of the organization in conjunction with its personnel planning and job analysis activities.
2. Increase the pool of job candidates at minimum cost.
3. Help increase the success rate of the selection process by reducing the number of visibly, under qualified or overqualified job applicants.
4. Help reduce the probability that job applicants, once recruited and selected, will leave the organization only after a short period of time.
5. Meet the organizations legal and social obligations regarding the composition of its workforce.
6. Begin identifying and preparing potential job applicants who will be appropriate candidates.

7. Increase organizational and individual effectiveness in the short term and long term.
8. Evaluate the effectiveness of various recruiting techniques and sources for all types of job applicants.

Recruitment represents the first contact that a company makes with potential employees. It is through recruitment that many individuals will come to know a company, and eventually decide whether they wish to work for it. A well-planned and well-managed recruitment effort will result in high-quality applicants. High-quality employees cannot be selected when better candidates do not know of the openings, are not interested in working for the company, and do not apply. The recruitment process should inform qualified individuals about employment opportunities, create a positive image of the company, provide enough information about the jobs so that applicants can make comparisons with their qualifications and interests, and generate enthusiasm among the best candidates so that they will apply for the vacant positions.[4]

2. Sources of Recruitment

Before an organizational activity begins recruiting applicants, it should consider the most likely source of the type of employee it needs. Some companies try to develop new sources while most only try to tackle the existing sources they have—these sources, accordingly, may be termed as: *internal sources and external sources*.

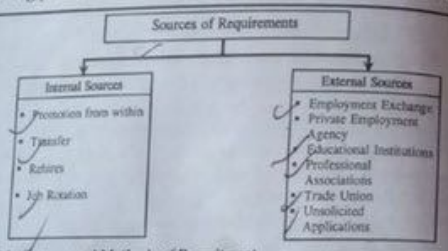
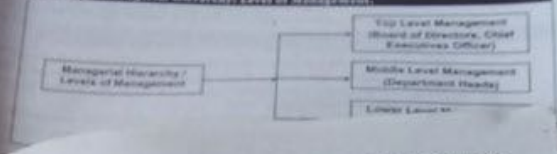


Figure 4.1: Sources and Methods of Recruitment

A. Internal Sources of Recruitment

Internal sources include employees already on the payroll of an organization, i.e., its present working force. Mainly, internal

Figure 0.5: Managerial Hierarchy: Level of Management.



Recruitment seeks applicants for positions from within the company. The various internal sources include:

1. **Promotion from within**
   Promotion is an effective means using job posting and personnel records. Business organizations generally follow the practice of filling higher jobs by promoting employees from lower jobs. Promotion leads to shifting an employee to a higher position, carrying higher responsibilities, facilities, status and pay. Promotion is a vertical shifting of employees. This practice helps to improve the motivation, loyalty and satisfaction level of employees. It has a great psychological impact over the employees because a promotion at the higher level may lead to a chain of promotions at lower levels in the organization.
2. **Transfer**
   Transfer involves shifting of an employee from one job to another, one department to another or from one shift to another, without a substantive change in the responsibilities and status of the employee. It may lead to changes in duties and responsibilities, working condition, etc., but not necessarily salary. Transfer is a good source of filling the vacancies with employees from over staffed departments. It is practically a horizontal movement of employees. Shortage of suitable personnel in one branch may be filled through transfer from other branch or department.
3. **Rehires**
   It involves rehiring employees who had left the organization or were laid off temporarily or permanently. Mainly, rehires include retired employees who are willing to work on a part-time basis, individuals who left work and are willing to come back for higher compensations. Even retrenched employees are taken up once again. The advantage here is that the people are already known to the organization and there is no need to find out their past performance and character. Also, there is no need of an orientation programme for them, since they are familiar with the organization.
4. **Job Rotation**
   It involves shifting an employee from one department to another or from one job to another. This enables the employee to gain a broader understanding of all parts of the business and how the organization as a whole functions. The employee get

fully involved in the departments operations and also gives chance to test his/her own aptitude and ability. Job rotation allows employees to interact with other employees facilitating future cooperation among departments. Thus, it is an effective internal recruitment through temporary assignment of current employees.

Advantages of Internal Sources

Filling vacancies in higher jobs from within the organization through internal transfers has the following advantages or merits:

- Employees are motivated to improve their performance for promotion at a higher level may lead to a chain of promotions at lower levels in the organization. This motivates the employees to improve their performance through learning and practice. Employees work with commitment and loyalty and remain satisfied with their jobs. Also peace prevails in the organization because of promotional avenues;
- Internal recruitment also simplifies the process of selection and placement. The candidates that are already working in the organization can be evaluated more accurately and economically. This is a more reliable way of recruitment since the candidates are already known to the organization;
- Transfer is a tool of training the employees to prepare them for higher jobs. Also people recruited from within the organization do not need induction training;
- Transfer has the benefit of shifting workforce from the surplus departments to those where there is shortage of staff;
- Filling of jobs internally is cheaper as compared to getting candidates from external sources.

Disadvantages of Internal Sources

The disadvantages or limitations of using internal sources of recruitment are as follows:

- When vacancies are filled through internal promotions, the scope for induction of fresh talent is reduced. Hence, complete reliance on internal recruitment involves danger of 'inbreeding' by stopping 'infusion of new blood' into the organization;
- The employees may become lazy if they are sure of time-bound promotions;
- A new enterprise cannot use internal sources of recruitment. No organization can fill all its vacancies from internal sources;

- The spirit of competition among the employees may be hampered; and
- Frequent transfers of employees may often reduce the productivity of the organization.

B. External Sources of Recruitment

An organization has to tap external sources for various positions because all the vacancies cannot be filled through internal recruitment. The existing staff may be insufficient or they may not fulfill the eligibility criteria of the jobs to be filled. External recruitment provides wide choice and brings new blood in the organization. The commonly used external sources of recruitment are discussed below:

1. **Employment Exchanges**
   Employment exchanges are the most popular source of recruitment for unskilled, skilled or semi-skilled operative jobs. The seekers get their names registered with employment exchanges managed and operated by government. The employers notify the vacancies to such exchanges and the exchanges refer the names of prospective candidates to the employers. In India it is obligatory to fill certain types of vacancies through public employment exchanges. Nepal does not have such employment exchanges.
2. **Private Employment Agencies**
   In technical and professional areas, private agencies and professional bodies appear to be doing substantive work. Placement agencies provide a nationwide service in matching personnel demand and supply. These agencies compile bio-data of a large number of candidates and recommend suitable names to their clients. Such agencies charge fee for their services and they are useful where extensive screening is required. These professional recruiters can attract the needed top executives from other companies by making the right offers.
   Management consultancy firms help the organizations to recruit technical, professional and managerial personnel. They specialize in middle level and top level executive placements. They maintain data bank of persons with different qualifications and skills and even advertise the jobs on behalf of their clients to recruit right type of personnel.

3. **Educational Institutions**
Many educational institutions such as colleges and institutions of management and technology have become a popular source of recruitment for technical, professional and managerial jobs. Many big organizations maintain a close liaison with the universities, vocational schools and management institutions to recruit qualified personnel for various jobs. Recruitment from educational institutions is a well-established practice of businesses.

4. **Professional Associations**
Professional associations are the sources of specialized professionals such as managers, accountants, engineers, lawyers, doctors, etc., for filling up the vacancies. They maintain a roster of their members. They are the source of bio-data of prospective professional candidates. In Nepal, professional associations like MAN (Management Association of Nepal), Nepal Medical Council and Engineers Association may be good ways to hire professional managers and engineers respectively.

5. **Trade Unions**
Trade unions can provide a recruiting service for semi-skilled workers. They maintain a databank of unemployed members. Labour contracts may also specify recruitment through trade unions. This is common in construction industry.

6. **Unsolicited Applications**
They involve direct applications in which job seekers submit unsolicited application letters or resumes. Such applications can also provide a pool of potential employees to meet future needs. Unsolicited applications can be from:

- **Walk-ins:** The busy organizations and the rapid changing companies do not find time to perform various functions of recruitment. Therefore, they advise the potential candidates to attend for an interview directly and without a prior application on a specified place. The suitable candidates among the interviewees will be selected for appointment after screening the candidates through tests and interviews.
- **Write-ins:** They are the job seekers who send written enquiries. These job seekers are asked to complete application forms for further processing.
- **Electronic:** Internet is becoming a common source of recruitment these days. So in the electronic source, bio-data

by prospective candidates are made available through internet. Such database becomes a source for recruiting prospective candidates. It is cost effective for high tech employees.

> **Have a Look: Talk-ins**
> Talk-ins involves the job aspirants meeting the recruiter (on an appropriated date) for detailed talks. No application is required to be submitted to the recruiter.

Advantages of External Sources
The advantages of using external sources of recruitment are as follows:

a. **Qualified Personnel:** By using external sources of recruitment, the management can attract qualified and trained people to apply for vacant jobs in the organization.
b. **Wider Choice:** When vacancies are advertised widely, a large number of applicants from outside the organization apply. The management has a wider choice while selecting the people for employment.
c. **Fresh Talent:** The present employees may be insufficient or they may not fulfill the specifications of the jobs to be filled. External recruitment provides wider choice and brings new blood in the organization. However, it is expensive and time-consuming.
d. **Competitive Spirit:** If a company taps external sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.

Disadvantages of External Source
Some of the disadvantages or limitations of external source of recruitment are as follows*:

a. **Dissatisfaction among existing staff:** External recruitment may lead to dissatisfaction and frustration among existing employees. They may feel that their chances of promotion are reduced.
b. **Lengthy process:** Recruitment from external sources takes a long time. The business has to notify the vacancies and wait for applications to initiate the selection process.
c. **Costly process:** It is very costly to recruit staff from external sources. A lot of money has to be spent on advertisement and processing of applications.

3. Methods of Recruitment

Broadly, there are two methods of recruitment. They are internal methods and external methods.

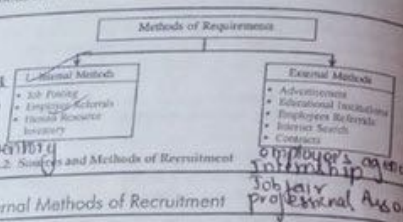


Figure 4.2: Sources and Methods of Recruitment

A. Internal Methods of Recruitment

Internal recruiting is the search for in-house employees who have the abilities and the attitudes to fulfill the requirements needed and to help the organization achieve its objectives. The common methods used for internal recruiting are as follows:

1. **Job Posting**

   It involves announcing the job opening (job vacancies) on bulletins or notice boards and in periodic staff meetings. Typically, the bulletins mention the job titles, a brief description of job, salary, department, etc. Job posting helps to identify and fill up the firm's HR need, employment opportunities and affirmative action requirements of an open recruitment system within the organization.

2. **Employee Referrals**

   Employees can develop good prospects for their families and friends by acquainting them with the advantages of a job with the company, furnishing them with introduction and encouraging them to apply. This is a very effective means as many qualified people can be reached at a very low cost to the company. The other advantages are that the employees would bring only those referrals that they feel would be able to fit in the organization based on their own experience. The organization can be assured of the reliability and the character of the referrals. In this way, the organization can also fulfill social obligations and create goodwill.

Figure 2.5: Managerial Hierarchy: Level of Management.

3. **Human Resource Inventory**

   Human resource inventory is also known as skill inventory. It is also one of the important methods of internal recruitment. Human resource inventory is a search of skills inventory of human resources currently employed in the organization. It tells management what individual employees can do. The information included in the inventory about each employee is personal, educational or professional, qualifications, training undertaken, special skills, employment experience, performance ratings, salary level, language spoken, capabilities, job and location preferable in the organization.

Advantages of Internal Methods

Some of the advantages of internal methods of recruitment are as follows:

a. **Recruiting costs:** Since the recruiting machinery is focused on an already existing pool of employees to fill a vacant position, and therefore selection and socializing processes are less time and energy consuming, internal recruiting tends to be less expensive than external recruiting.

b. **Motivation:** The prospect of potential promotion or transfers provides a clear sign to the current work force that the organization offers room for advancement. This addresses the employee's need for self-achievement.

c. **Familiarity:** The familiarity of the employee has a two-side effect: On the one hand the employee is familiar with the organization's policies, procedures, and customs. At the same time, the organization has established an employment history showing the workers formal and informal skills and abilities.

Disadvantages of Internal Methods

Some of the disadvantages of internal methods of recruitment are as follows:

a. **Inbreeding:** One drawback of extensive internal recruiting is the reduced likelihood of innovation and new perspectives. A lack of new employees from the outsides leads to a lack of new ideas and approaches.

b. **Limited Choice:** Internal recruiting limits the choice to internal employees only. This excludes excellent candidates available

from the external recruiting. Candidates with special skills within the organization may not be available.

- **More training**: Internal recruiting demands a higher degree of employee training. In order to develop the skills needed to train the current workforce in new processes and technologies, the organization has to provide a more expensive training program.

B. External Methods of Recruitment

External methods of recruitment are concerned with recruiting employees from outside of the organization. They seek applications for positions from sources outside the organization. The common methods used for external recruiting are as follows:

1. **Advertisement**

Advertising is widely accepted technique of recruitment, though it mostly provides one-way communication. It provides the candidates in different sources, the information about the job and company and stimulates them to apply for jobs. It includes advertising through different media such as:

- **Print Media**: It consists of newspapers, magazines, trade journal, periodicals, etc. *Gorkhapatra, Kantipur, the Kathmandu Post, and the Himalayan Times* are the most important daily newspapers in Nepal for recruitment advertisement.
- **Visual**: It consists of billboard, hoarding boards, poster, point of recruitment materials, etc.
- **Audio-visual**: It consists of radio, television, cinema, etc.
- **Online media**: It consists of email and websites or internet.

Advertising is a very widely used method of recruiting from the external sources. It is also usually useful to generate a large pool of applications. Thus, not only does advertising reach those who are currently unemployed but also attracts those jobholders who look for better jobs opportunities.

Advertising for external recruitment can be of two forms:

- **Want Ads**: They identify the employer, describe the job and benefits, and tell job seekers how to apply. Some ads also provide job description and job specifications. Such want ads attract large number of applicants. That is why many large organizations usually use wants ads.

Figure 2.3 Managerial Hierarchy: Level of Management.

- **Blind Box Ads**: In such ads, the vacancy notice may appear as a blank ad where the real sponsoring employer organization is kept secret. This type of ads use post box number instead of name of the organization. They keep job opening confidential in order to avoid telephone enquiries, pressures and public relations problems. Blind ads typically yield a significantly lower response rate than wants ads. That is why large organizations do no usually use blind ads unless there is a very good reason for it.

2. **Educational Institutions**

Educational institutions consists of campus, colleges and universities, training institutes impart education in science, management (commerce), arts, engineering and technology, agriculture, medicines, etc. Such institutions are usually viewed as sources for young, inexperienced entrants to the work-force. Direct recruitment from such institutions for certain jobs, which require technical or professional qualifications, has been a common practice in western countries.

Some organizations also sponsor the tuition and other expenses of the toppers for the remaining years in the university after which the sponsored graduates will have to serve the sponsor companies.

3. **Employee Referrals**

Applicants introduced by present employees, or their friends and relatives may prove to be a good source of recruitment. Such applicants are likely to be good employees because their background is sufficiently known. A type of preliminary screening takes place because the present employees know both the company and the candidates and they would try to satisfy both.

4. **Internet Search**

Internet is becoming a popular option for recruitment today. There are specialized sites like merojob.com, jobsnepal.com, etc. Also, websites of companies have a separate section wherein; aspirants can submit their resumes and applications. This provides a wider reach. It is cost effective for high-tech employees.

5. **Contracts**

A common method of recruitment of the workers in the factories is through the contractors. They are always ready to supply the

equitable number of workers on payment of a commission. They keep themselves in touch with the workers and bring them at the places where they are required. It is advantageous from management point of view because it cuts expenses of recruiting and screening. This method of recruitment is popular in Nepal. Security guards are outsourced from private organizations under labour contracts.

Advantages of External Methods

Some of the advantages of external methods of recruitment are as follows:

a. The organization will have the benefit of new skills, new talents and new experiences, if people are hired from external sources.
b. The management will be able to fulfill reservation requirements in favour of the disadvantaged sections of the society.
c. Scope for resentment, heartburn and jealousy can be avoided by recruiting from outside.

Disadvantages of External Methods

Some of the disadvantages of external methods of recruitment are as follows:

a. Better motivation and increased morale associated with promoting own employees are lost to the organization.
b. External recruitment is costly.
c. If recruitment and selection processes are not properly carried out, chances of right candidates being rejected and wrong applicants being selected occur.
d. High training time is associated with external recruitment.

4. Recruitment Process

Recruitment is a step-by-step process. It consists of following steps:

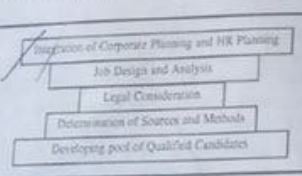


Figure 4.3: The Recruitment Process

Figure 2.3 Managerial Hierarchy: Level of Management.

1. **Integration of Corporate Planning and HR Planning**
There must be the integration of corporate planning and HR planning in order to achieve organizational goals. HR planning is a part of corporate planning. So, it must determine and categorise the organization's long range and short range human resource needs. Moreover, HR planning should be prepared specifying the duties, responsibilities, working conditions and skill requirements to perform tasks. These all should be focused on corporate planning.

2. **Job Design and Analysis**
Job design and analysis are also important tasks under recruitment process. Job design is the way in which tasks, duties, and responsibilities are organized into a unit of work to attain certain objectives. On the other hand, job analysis is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. Hence, recruitment precedes job design and analysis.

3. **Legal Consideration**
Government influences recruitment through legal provisions. Government law prohibits discrimination in terms of sex, religion or caste. These matters should be considered during recruitment process. Likewise, organization itself has certain recruitment policies. Policies such as 'promotion from within' or 'external recruiting' greatly affect recruitment. So these matters should also be considered during recruitment process.

4. **Determination of Sources and Methods**
In this step, sources and methods of recruitment should be determined. Mainly, there are two sources and methods of recruitment such as:
   - **Internal Sources and Methods**: They seek applicants for positions from within the company.
   - **External Sources and Methods**: They seek applications for positions from sources outside the organization.

5. **Developing a Pool of Qualified Candidates**
This step involves preparing and developing a pool of candidates collected from one or various sources and methods. A pool of qualified candidates builds groundwork for processing them into the selection activity.

1. Concept and Meaning of Learning

Simply, learning is a change in behaviour as a result of experience. It can be defined as a relative permanent change in behaviour that occurs as a result of experience. Learning is essential for both people and organisations. It is a process contributing to expand knowledge and skills. The success of learning depends on how well organisations and employees are to make continuous learning efforts. Learning is concerned with an increase in knowledge or expansion of society skills. In fact, training and development are provided with a view to helping employees to learn.

Different psychologists and behavioural scientists have defined learning differently. Given below are a few important definitions of learning:

Stephen P. Robbins – "Learning is any relatively permanent change in behaviour that occurs as a result of experience."

Steers and Porter – "Learning is relatively permanent change in behaviour potentiality that results from reinforced practice or experience."

Moon NZ. – "Learning is the process of having one's behaviour modified, more or less permanently, by what he does and the consequences of his action, or by what he observes".

Thus, learning can be defined as a relatively permanent change in behaviour or potential behaviour as a result of direct or indirect experience. It must be understood that the learning itself is not observable, but only change in behaviour is observable which is the result of the process of learning. This change in behaviour must be differentiated from changes in behaviour from other causes. The causes of such changes including aging, such as being stronger or improvement in memory in the early formative years, instinctive response tendencies such as a nervous or timid person being brave at the time of a crisis. Accordingly, as a unique determinant of behaviour, learning cannot take place unless the learner actually experiences what has to be learned.[1] Organisational members, especially newcomers, must learn how to perform new tasks. Experienced employees must learn how to use new equipment and technology or how to follow new policies and procedures. Learning is a fundamental process in organisations. Training and development programmes in organisations aim at learning.

Meaning of Learning

Learning consists of a relatively permanent change in knowledge or behaviour that result from practice or experience. Learning has the following components:

Change

The process of learning initiates change in individual and organisation. The change can be desirable or undesirable from organisation point of view. Desirable and undesirable behaviour may be learned during learning process.

Permanency

A temporary change in behaviour or knowledge is not characteristic of learning. The change resulting from learning is relatively permanent through reinforcement.

Behaviour

Only change in behaviour acquired through experience is considered learning. Therefore, a change in individual's thought process or attitudes, if accompanied by no change in behaviour, would not be learning. For example the ability to walk that is based on physical damages would not be considered learning.

Experience

Some form of experience is necessary for learning. Experience may be acquired directly through practice or observation or indirectly as through reading.

2. Significance of Learning

Learning refers to a relatively permanent change in behaviour or potential behaviour as a result of direct or indirect experience. It is significant due to the following reasons:

To Understand Behaviour

The understanding of learning concept offers significant insight to managers for managing behaviour of human resources. The managerial skills such as technical, human and conceptual are based which helps to understand and predict human behavior at work.

To Manage Diversity

Workforce diversity is the organizational reality today. When workers join organization, they come with differing cultural values and lifestyle preferences. To manage such diversity, there must be the learning process in the organization. Managers and employees need to learn about organisational culture, work procedures, work environment, etc.

3. **To Adopt Changes**

Learning facilitates the managers and employees to adapt changes. It reduces resistance to change by employees.

4. **Total Quality Management**

Learning plays key roles in total quality management. It ensures employee commitment towards practice of total quality management concept in the organization. It directly the management of people so that quality is involved as the central part of every one's job.

5. **Organizational Development and Change**

Learning facilitates organizational development and change. There are different forces in the external environment for change in the organization. Some of these forces are globalization, technology and demographics. Such changes force managers and employees to learn to reconfigure organization to adapt to such situations. The learning also helps to minimize the resistance to change.

3. Process of Learning

The following steps are involved in the learning process:

1. **Stimulus**

It is any object or language which draws attention of people. There should be a clear stimulus to the learner for learning to take place. The stimuli available at work are numerous. Superiors tell and advice employees who pay attention to these stimuli. Training and development programmes are forceful stimuli.

2. **Response**

The stimulus results in response. Response is the act, which the learner has to perform. The learner should be allowed and encouraged to practice the response. Responses must be operationally defined and physically observable are preferred.

3. **Motivation**

It involves interest and attitude to learn. It is something that motives a person to action and continues him in the course of action already initiated. The degree of motivation is positively associated with the learning.

4. **Reward**

It is the incentive that satisfies a motive of the learner. Rewards may be monetary or non-monetary. There should be reward to the learner. It further stimulates the learner.

Figure 2.5 Managerial Hierarchy: Level of Management.

4. Concept of Human Resource Development (HRD)

Simply, human resource development refers to the managerial function, which ensures that the organization has adequate human resources with desired capabilities for achieving organizational goals effectively. It aims at developing the total organization. It is concerned with preparing employees to work effectively and efficiently in the organization. It can be thought of increasing capabilities that go beyond those required by the current job. It represents efforts to improve employees' ability to handle a variety of assignments[1]. Mainly human resource development enhances the ability of an organization to compete and adapt to a changing competitive environment.

T.V. Rao – "Human resource development aims at developing a variety of competencies of employees and developing a culture in the organization to utilize these competencies and contribute to organizational growth."

W.F. Casio – "Once employees are "on board", their personal growth and development over time become a major concern. Change is a fact of organization life, and to cope with it effectively, planned programmes of employee orientation, development, and career management are essential."

Decenzo and Robbins – "Human resource development is concerned with preparing employees to work effectively and efficiently in the organization."

A.M. Sheikh – "Human resource development is regarded as the process of increasing knowledge, competence, capacities, intelligence, talents of the members of the organization in particular"

Thus, human resource development is the process of improving, molding and changing the skills, knowledge, creative ability, aptitude, attitude, values, commitment, etc., based on present and future job and organizational requirements. This function generally comprises two main components:

1. Training: It aims at helping employees to handle their present jobs more effectively and efficiently.
2. Development: It aims at helping managers handle future responsibilities of higher order.

Features of Human Resource Development (HRD)

Some of the essential features of human resource development are as follows:

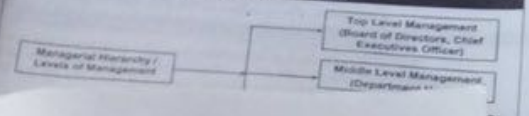
1. **Human Focus**
   Human resource development focuses on human elements in organization. It is concerned with increasing knowledge, competence, capacities, intelligence, talents of the people of the organization.
2. **Learning**
   Learning is a part of human resource development. HRD consists of organized learning experiences through training and education.
3. **Time-bound**
   Human resource development programme has certain time bound. There is a definite time period for completing a particular phase of learning. It lasts from a week to six months.
4. **Competence**
   HRD enhances employee competencies required to perform current and future jobs.
5. **Performance**
   HRD aims at improving job performance to achieve organizational goals efficiently and effectively.
6. **Mechanisms**
   HRD consists of a variety of mechanisms that is composed of different HR-related activities and their inter-linkages. The HRD mechanism comes into operation, as it receives inputs like business strategy, HRP, career development plans, etc.
7. **Culture**
   HRD develops organizational culture that provides opportunities for the use of employees' skills and competencies.

5. Importance and Need of Human Resource Development

Human resource development is concerned with improvement of knowledge, skills and competencies in employees to achieve organizational goals. The important and need of HRD arise due to following reasons:

1. **Improve Competencies**
   HRD equips employees with all knowledge and skills required for effective performance on their current works and future assignments. It develops and improves capabilities of each employee as an individual and in relation to current job so that

Table 2.5 Managerial Hierarchy: Level of Management.



technical skills to the job can be enhanced. On the other hand, HRD develops competencies of managers to face challenges and handle future responsibilities.

2. **Environmental Adaptation**
   An organization operates in a complex and dynamic environment. In such a situation, HRD equips mangers to pro-act, anticipate and adjust to the changing environmental forces. It facilitates environmental adaptation.
3. **Opportunity of Career Development**
   HRD provides career development opportunities by equipping employees with knowledge and skills. It also facilitates career development of employees by providing opportunities to exploit their inner potential.
4. **Commitment**
   HRD provides the opportunity to discover, develop and use their potentials in employees which increases commitment in them. It also improves employee attitude, which make up ground for creating human capital/assets, the ultimate goal of HRM. HRD also heightens employee morale, reduces absenteeism and labour turnover.
5. **Increase Productivity**
   HRD ensures the development of employee competencies, dynamism, and effectiveness in systematic and planned way to achieve higher quality and higher levels of productivity. It brings 'all round development' of the people so that they contribute their best to the organization.
6. **Job Satisfaction**
   HRD facilitates positive attitude of employee towards jobs and provides feeling of belongingness to the organization. It increases job satisfaction through high morale, increased commitment, reduced absenteeism and turnover and high employee retention.
7. **Role and Responsibility**
   HRD provides information to each employee and manager about their roles and responsibility at work. It develops necessary skills and abilities required to perform organizational activities. As a result of which all employees can play better roles and bear their responsibility in order to achieve organizational goals.

8. **Mutual Benefit**

Both organization and employees can get benefit from human resource development. HRD increases the skills, knowledge and capabilities of the employees. Due to this they can get the opportunity of career development. It increases employee commitment. On the other hand, the increased level of employees' commitment helps to increase an organization's productivity. In this way, HRD promotes mutual benefits to both organization and employees.

9. **Diversification**

HRD is important to organization to have the needed HR capabilities for future growth and change. HRD is essential to adapt the diversification policy by organization. It equips managers to pro-act, anticipate and adjust to the changing environmental forces. In this way, it helps to diversify activities of organization through enhancing employees' competencies.

10. **All Round Development**

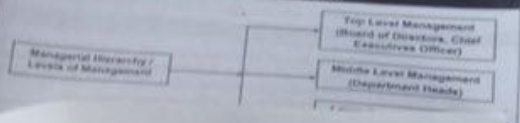
HRD also helps for all round develop of individual as well as organization. Organization cannot grow and survive in the present day environment without the growth and development of its human resources. So, HRD provides opportunity for all round development of human resources and organization. HRD is essential factor in planning managerial succession and it is also essential for managing change and conflicts in organization.

6. Concept and Meaning of Training

An organization's most important asset is often its people. Training and developing them can be one of the most important investments the organization can make. The right training can ensure that the organization has the right skills to tackle the future. So, training is the most important function that directly contributes to the development of human resources. It is the act of increasing the knowledge and skill of an individual for doing a particular job. In the present scenario training is increasingly viewed as a means of fostering the growth of the individual employee but as an integrated part of organizational growth.

Training is a process of learning a sequence of programmed behaviour. It is application of knowledge. It gives people an awareness of the rules and procedures to guide their behavior. It

Figure 2.5: Managerial Hierarchy/ Level of Management



attempts to improve their performance on the current job or prepare them for an intended job.

Decenzo and Robbins – "Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve his or her ability to perform on the job."

Edwin B. Flippo – "Training is the act of increasing the knowledge and skills in an employee for doing a particular job."

Dale S. Beach – "Training is the organized procedure by which people learn knowledge and/or skills for a definite purpose."

Leonard Nadler – "The term training describes those activities that serve to improve an employee's performance on a currently held job or one related to it."

Wayne F. Cascio – "Training consists of planned programmes designed to improve performance of the individual, group and/or organisational levels."

Fish, Schoenfeldt and Shaw – "Training is planned effort by an organisation to facilitate employees' learning of job related knowledge and skills for the purpose of improving performance."

Thus, training is any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased. It is a process of learning new skills and application of knowledge. It attempts to improve their performance on the current job or prepare them for any intended job. It helps them to operate machines, reduce scrap and avoid accidents. It also helps employees to perform their duties effectively.

Have a Look : Training and Education Differentiated

We can make a distinction between training and education. Such distinction enables us to acquire a better perspective about the meaning of the terms. Training, as was started earlier, refers to the process of imparting specific skills. Education, on the other hand, is confined to theoretical learning in the classrooms.

Training	Education
• Application	Theoretical Orientation
• Job Experience	Classroom Learning
• Special Tasks	General Concepts
• Narrow Perspective	Broad Perspective
• Proactive	Reactive
• Short term	Long term

4. Safety: Safety training is critical where working with heavy equipment, hazardous chemicals, repetitive activities, etc. but can also be useful with practical advice for avoiding assaults, etc.
5. Sexual Harassment: Sexual harassment training usually involves special discussion of the organisation's policies about sexual harassment, especially about what are inappropriate behaviours.

Training Process

Training is a systematic procedure designed to improve the performance at the individual, group and organisational level. The training process consists of the following stages.

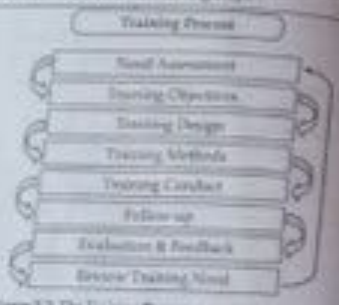


Figure 5.2: The Training Process

1. **Need Assessment**

Training process begins with determining training needs. Training needs can be at the organisational level, job level and individual or employee level. They should be properly determined. Training needs for specific job performance skills should be identified.

2. **Training Objectives**

At this stage, training objectives should be specified. The training objectives are desired outcomes of training that should be specific, measurable and time-bound. They can be in terms of skills to be taught and changes in behavior sought.

3. **Training Design**

At this stage, training design should be determined. Training design should be guided by the training goal and policies. The

key issues in designing training programmes are goals and scope, structure of training, principles of learning, curriculum, duration, responsibility for training, training budget, etc.

4. **Training Methods**

Training methods are desired means of achieving training objectives. So at this stage, the curriculum to be offered and training methods to be used should be determined. The training methods can be on the job and off the- job.

5. **Training Conduct**

After the selection of appropriate training method(s), the actual conducting of training takes place. At this step, the prepared plans and programmes are conducted to get desired output. Under it, the employees are trained to develop the better performance of organisational activities. Before conducting training, certain matters such as training contents, types of programmes, location of training, training budget, training time or period, etc. are to be considered. Then the actual training begins to impart skills, knowledge and abilities of employees.

6. **Follow-up**

Training is a continuous process. So, the running training programmes should be followed-up regularly. The follow-up is concerned with evaluation or almost all activities of training in order to know whether the training programmes were effective or not.

7. **Evaluation and Feedback**

At this stage, the outcomes of training should be evaluated. Evaluation is concerned with assessment of training utility in terms of effect of training on employees' performance. If there is a positive impact on their performance after training, it will be considered as an effective training. Finally, a feedback mechanism should be created in order to identify the weak area in the training programme and improve the same in future.

8. **Review Training Need**

Of course, training is a continuous process. At this stage of training process, training need should be reviewed again. Based on evaluation and feedback mechanism, training needs can be review and identified. They help in planning training programmes.

Objectives of Training

Staying ahead in today's business world is more challenging than ever. Building trust and promoting teamwork are just two expectations of any business leader. Training programs are designed to keep an organization at the front of its industry, maximize performance and energize every level of the organization. Training is also seen to strengthen the tie between employee development and strategic operation objectives. The objectives of training are as follows:

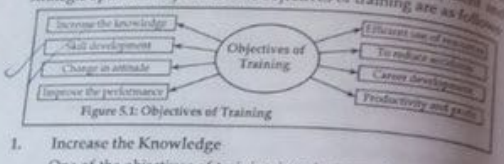


Figure 5.1: Objectives of Training

1. **Increase the Knowledge**

   One of the objectives of training is to increase the knowledge of employees. Training upgrades employee knowledge to keep up with new technologies, job redesign and change. Employees become efficient after undergoing training. Efficient employees contribute to the growth of the organization.

2. **Skill Development**

   Training aims to increase employee skills. With the help of training, the employees can learn new knowledge and skills that ultimately help them to change their behaviour to cope in different work situations and to put more efforts on the job.

3. **Change in Attitude**

   Training aims to develop healthy attitudes in employees towards the job and the organization. It facilitates better cooperation, commitment and loyalty of employees.

4. **Improve the Performance**

   Another important objective of training is to improve the performance of the employees. When employees are trained and become familiar with the needed jobs skills, they can perform with a minimum wastage or time and efforts efficiently.

5. **Efficient Use of Resources**

   Training aims to use resources efficiently. With the help of training, the employees can learn how to use the machine, equipment, tools and methods properly.

6. **To Reduce Accidents**

   Training aims to minimize operational errors. Training programmes are organized to reduce accidents. Generally, accidents, scrap and damage to machinery and equipment can be avoided or minimized through training. Even dissatisfaction, complaints, absenteeism, and turnover can be reduced if employees are trained well.

7. **Career Development**

   Training aims to career development of employees. It helps career development of employees through promotion opportunities. It develops potential for future growth of employees.

   Training programmes also deal with personality development of the employees (through goal setting, motivation, leadership skills, etc.) thus they personally gain through exposure to training programmes.

8. **Productivity and Profit**

   Productivity is the ratio of output to the input. Trained employees can contribute to increase in productivity by increasing output from a limited input. They help to transform inputs into outputs more efficiently and thus increase in productivity and profit of the organization.

Have a Look: Typical Areas of Employee Training

1. **Communications**: The increasing diversity of today's workforce brings a wide variety of languages and customs.
2. **Computer skills**: Computer skills are becoming a necessity for conducting administrative and office tasks.
3. **Customer service**: Increased competition in today's global marketplace makes it critical that employees understand and meet the needs of customers.
4. **Diversity**: Diversity training usually includes explanation about how people have different perspectives and views, and includes techniques to value diversity.
5. **Ethics**: Today's society has increasing expectations about corporate social responsibility. Also, today's diverse workforce brings a wide variety of values and morals to the workplace.
6. **Human relations**: The increased stresses of today's workplace can include misunderstandings and conflict.
7. **Quality Initiatives**: Initiatives such as Total Quality Management, Quality Circles, Benchmarking, etc. require basic training about quality concepts, guidelines and standards for quality, etc.

Benefits and Importance of Training

The benefits and importance of employee training can be summarized by the following uses of training:

1. **Increase in Productivity**
   Employees become efficient after undergoing training. The employees contribute to the growth of the organization and increase the quantity of production and improve the quality. Training increases the knowledge and skills of the employees for the performance of a particular job. It reduces the employee operational errors. Wastes and scrap are reduced. Thus it helps in increasing the productivity.
2. **Heightened Morale**
   As the trained employees are capable in doing their jobs in the suitable manner and can understand the procedures and methods easily, it increases their morale. It gives them satisfaction in their work.
3. **Reduce in Supervisions**
   Trained employees can do their work themselves efficiently. Thus, the training reduces the need of supervisions to minimum.
4. **Reduce in Accident**
   Trained employees know the methods of doing their jobs in the required manner. They know how to use the machines in the best possible manner. It reduces the possibility of accidents to the minimum. It means accidents, scrap and damage to machinery and equipment can be avoided or minimized through training.
5. **Regularity and Mobility**
   Training brings regularity and stability to organization because it reduces rate of absenteism and turnover. Even dissatisfaction and complaints can be reduced if employees are trained well.
6. **Proper Utilization of Machine and Equipments**
   Training teaches the employees of the organization the methods of doing their job in the best possible manner. As a result of it they make the best possible utilization of the machine, equipments and materials of the organization available to them.
7. **Helpful for Future Personnel Needs**
   Training is an investment in human resources. It facilitates career development of employees. The employees acquire new knowledge and job skills, which provide feeling of confidence

is also given them a feeling of safety and security in workplace. The possession of useful skills enhances their value to their employers, increases their market value and earning power. Training also qualifies them for promotion to more responsible job. In this way, training helps employee for their future needs.

8. **Effective Communication**
   Trained employees can learn the methods and procedures of production quickly. Training improves the power of understanding among them. They can follow the technical instructions and changes themselves easily and quickly. In this way, training reduces errors and improves communication among the employees. It promotes free expression of feelings.

Table: The Benefits of Employee Training

Training Benefits the Organization	
• Leads to improved productivity and/or more positive attitudes towards work	
• Improves the job knowledge and skills at all levels of the organization	
• Improves the morale of the workforce	
• Helps people identify with organizational goals	
• Helps create a better corporate image	
• Helps organizations operate well from	
• Improves relationships between boss and subordinate	
• Aids in organizational development	
• Learn from the manager	
• Helps prepare guidelines for work	
• Aids in understanding and carrying out organizational policies	
• Provides information for future needs in all areas of the organization	
• Organization gets more effective decision making and problem solving skills	
• Aids in development for promotion from within	
• Aids in developing leadership skills, motivation, loyalty, better attitudes and other aspects that successful workers and managers usually display	
• Helps in increasing productivity and/or quality of work	
• Helps keep costs down in many areas, e.g. production, personnel, administration, etc.	
• Develops a sense of responsibility to the organization for being competent and knowledgeable	
• Improves labour-management relations	
• Reduces outside consulting costs by utilizing competent internal consultants	
• Promotes preventive management as opposed to putting out fires	
• Eliminates suboptimal behavior (such as hoding work)	
• Creates an appropriate climate for growth, communication	
• Aids in improving organizational continuous action	

Group or organizational Analysis	Individual Analysis
Organizational goals and objectives	Performance appraisal
Organizational skills inventories	Work sampling
Organizational climate indices	Interviews
Efficiency indices	Questionnaires
Exit interviews	Attitude survey
Job or work planning systems	Training progress
Human resource planning systems	Rating scales
Employee turnover/absenteeism data	
Succession of current and projected manpower	

Source: Cascio (1991), p. 193

3. Training Methods

A multitude of methods and techniques is used to train employees. Training techniques are the means employed at the training methods. Training methods or techniques are categorized into two groups – on-the-job methods and off-the-job methods. They are as follows:

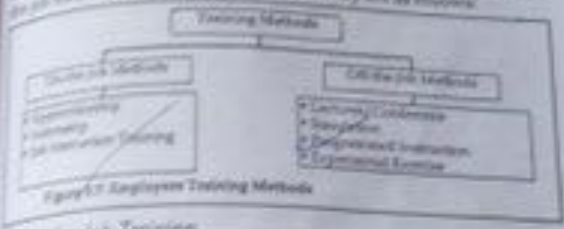


Figure 9.1: Employee Training Methods

A. On-the-Job Training

On-the-job training method refers to the methods that are applied to the workplace, while the employee is actually working. It is used generally to train workers how to do their present job. Majority of the industrial training is on the job training. It is conducted at the work site and in the context of the job. Often, it is informal, as when experienced worker shows a trainee how to perform tasks. In this method, the focus of trainer is on making a good product and not on good training technique. It has several steps, the trainee first receives an overview of the job, its purpose and the desired outcomes. The trainer then demonstrates how the job is to be performed and to give trainee a model to copy. And since a model is given to the trainee, the

transferability to the job is very high. Then the employee is allowed to imitate or mimic the trainer's example. The trainee repeats these practices until the job is mastered.

The main methods, which fall into this category, are discussed below in order:

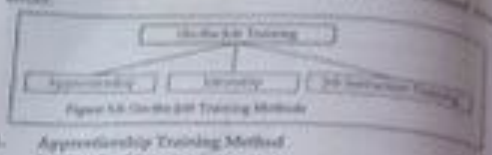


Figure 5.6: On-the-Job Training Methods

1. *Apprenticeship Training Method*

It is involved learning from more experienced employees. It is applied in cases of most craft workers, carpenters, plumbers, accountants, electricians, designers, painters, draftsmen, nursing and mechanics (such as technical fields). This approach uses high levels of participation and facilitates manoeuvering. This is one of the oldest methods of training. The organization may select candidates for apprenticeship training. The candidates must have interest and competency. They should be temporarily suited for the job. Apprenticeship method also provides class room instructions in addition to providing training in the acquiring skills. This method of training is of course ideal but it is relatively costly. Larger organizations generally invite applications from candidates for apprenticeship training.

2. *Internship Training Method*

It is a joint programme of training in which educational institutions and business firms cooperate. Selected candidates carry on regular studies for the prescribed period. They also work in some factory or office to acquire practical knowledge and skills.

In this method, interns or assistants are permitted to perform a specific time-bound jobs or projects during their education. It may consist a part of their educational courses. Internships are usually a combination of classroom and on-the-job training. Students of technical and management subjects generally undergo internship training.

3. *Job Instruction Training (JIT) Method*

In this method, a trainer or supervisor gives instruction to an employee how to perform his job. The JIT method (developed

during, provide. What JIT is a four-step instructional process including: preparation, presentation, practice or try out and follow up. It is used primarily to train workers how to do their current jobs. A trainer, supervisor or co-worker acts as the coach. The four steps followed in the JIT methods are:

- *Preparation*: The trainer ensures an overview of the job to prepare and to develop enthusiasm, with a clear focus on the relevance of training.
- *Presentation*: The trainer demonstrates the job to enable to give the employee a model to copy. The trainer shows a right way to handle the job.
- *Practice or Try out*: Next, the employee is permitted to copy the trainer's way. Demonstrations by the trainee and practice by the trainee are repeated until the trainee masters the right way to handle the job.
- *Follow-up*: Finally, the employee does the job independently without supervision.

JIT is most suitable for unskilled and semi-skilled jobs where the job operations are simple, easy to explain and demonstrate within a short span of time. The trainee gain confidence quickly as they do the work themselves in actual setting with help from supervisor. But the trainee should be as good as the trainer. If the trainer is not good, transference of knowledge and skills will be poor. While learning, trainee may damage equipment, waste materials cause accidents frequently.

Steps in Job Instruction Learning Sequence

Steps of Instruction	Dimensions of Learning
▪ Break down the job ▪ Prepare an instruction plan ▪ Put the learner at ease	Motivation
▪ Tell ▪ Show ▪ Demonstrate ▪ Explain	Understanding
▪ Have the learner talk through the job ▪ Have the learner instruct the supervisor on how ▪ Let the learner do the job ▪ Provide feedback both the positive and negative ▪ Let the learner practice	Participation

Check progress frequently at first Tell the trainee where to go for help Gradually increase the pace of training	Avoid [illegible]

Advantages of On-the-job Training

- It is directly in the context of job.
- Employees are trained in accordance with job requirements. So the training is realistic.
- It is most effective because it is learning by experience.
- It is least expensive. No separate equipment and accommodation is required for training. Trainee produces during the training period.
- The trainees learn in the actual job environment so that they are highly motivated to learn.
- It is free from artificial classroom situations.

Disadvantages of On-the-job Training

- Trainer may not be experienced enough to train.
- It is not systematically organised.
- Poorly conducted programs may create safety hazards.
- This method of training is very time consuming.
- Training produces some interference in the normal work routine. At the same time the pressure of work makes concentration on learning difficult.
- Some wastage or spoiled work may occur during training on the job. Trainees may cause damage to machinery and equipments.

B. Off-the-Job Training

Off-the-job training takes place outside the job situation. Under this training is separated from the job situation. It focuses learning materials related to future job performance. Since it is mostly classroom-based, it is also known as the **classroom training method**. This method of training helps to relieve employees out of stress, and to provide refreshment in their jobs through training, as they do not have to stay in the real workplace during the training.

Off-the-job training is mainly adopted for orienting new employees, introducing innovations in products and services, special skills training, safety education, creative, technical & professional education and sales, administrative, supervisory and managerial education.

Off-the-job training covers a number of methods. Some of the off-the-job training methods are as follows:

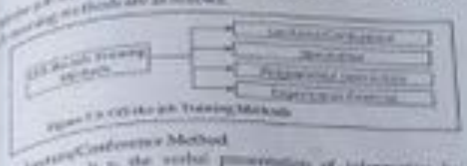


Figure 7.3: Off-the-job Training Methods

1. **Lecture/Conference Method**

   Lecture: It is the verbal presentation of information by an instructor to a large audience. The lecture is presumed to possess knowledge about the subject. A virtue in this method is that it can be used for large groups and hence the cost of training per employee is very low. However, this method violates the principle of learning by practice. Also this type of communication is a one-way communication and there is no feedback from the audience because in case of very large groups it is difficult to have interactive sessions. Long lectures can also cause boredom.

   Conference: In this method, the trainer delivers a lecture on the particular subject, which is followed by queries and discussions. The conference leader must have the necessary skills to lead the discussion in a meaningful way without losing sight of the topic or theme. This method is used to help employees develop problem-solving skills.

2. **Simulation Method**

   It is any equipment or technique that duplicates as nearly as the possible the actual conditions encountered at the job. It is an attempt to create a realistic for decision-making. Mainly, simulation duplicates the actual work situation as nearly as possible thereby creating an artificial work situation. Trainees are placed in that artificial work situation and they learn with the actual or simulated equipment and environment. This method is most widely used in Aeronautical Industry, driving, use of sophisticated equipment, etc. The techniques of simulation are as follows:

   - **Computer Modeling:** It simulates the work environment by programming a computer to imitate some of the realities of the job. It allows learning to take place without

the risk or high cost that would be incurred if a mistake were made in real life situation. Computer modelling is used in the air force, and mechanical engineers use computer programming to simulate flying trainer.

b. Vestibule Training: Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. Actual work environments are created in a classroom and employees use the same materials, files and equipment. This is usually done when employees are required to handle sophisticated machinery and equipment.

Vestibule training is more applicable to training of new employees before assigning them to specific jobs. In computer software training, more professionals are involved. Similarly, for training a cashier at a departmental store, computer modelling is attempted on a personal computer in a vestibule room when dynamic situations of customer order placing, stock-in, stock-out, etc., are manually simulated.

In this simulation training emphasis is placed on learning skills than on production. It is however difficult to duplicate pressures and realities of actual situations. Even though the kind of tension or pressure may be the same but the employee knows it is just a technique and not a real situation. Also the employees behave differently in real situations than in simulations. Also additional investment is required for the equipment.

3. *Programmed Instruction Method*

It is a structured instruction method supported through text handouts and computer aided instructions (CAIs). This method incorporates a programmed and proposed acquisition of some specific skills or general knowledge. Information is broken into meaningful units and these units are arranged in a proper way to form a logical and sequential learning package i.e. from simple to complex. The trainee goes through these units by answering questions or filling the blanks.

4. *Experiential Exercises Method*

Experiential Exercises: Experimental exercises are a short-structured training method, based on a 'learning by doing'

experience. Trainees learn while training. It is used by creating a similar situation to the trainees where they have to experience a problem personally and work out its resolution. After completing the exercise, the trainee usually discusses what happened and introduces theoretical concepts to help explain the trainees' behaviour during the exercise.

Role Play: This is just like acting out a given role as on stage play. In this method of training, the trainees are required to play defined roles on the basis of real or written description of particular situation. This method mainly focuses on emotional (human relations) issues than other ones. The trainee is asked to play a real life situation and have trainees assumed parts of specific personalities (usually interchanged roles of manager and subordinate to create empathy for one another). The consequence is better understanding of issues from the other's point of view.

Advantages of Off-the-job Training

- Large groups of trainees can be trained simultaneously at low cost. It means, it covers a sizable group of people.
- Trainers are usually experienced enough to train.
- It is systematically organized.
- It is suitable for developing conceptual knowledge and analyzing attitudes because participants exercise to develop solutions and reach at conclusions.
- It can cover more issues within a limited time frame.
- Also newly created programs may add lot of value.
- It is suitable for analyzing and examining issues from different viewpoints.

Disadvantages of Off-the-job Training

- It is not directly in the context of job.
- It is often formal.
- It is not based on experience.
- Trainees may not be highly motivated.
- Progress is usually slow because all participants are usually made to speak on the point. This may result in duplication in what they speak, and irrelevant issues easily creep in.
- It is ineffective when participants have no relevant knowledge on the issue in advance.
- It is more artificial in nature.

Figure 2.2 : Managerial Hierarchy: Level of Management

Difference between On-The-Job Training and Off-The-Job Training

There are some differences or between on-the-job training and off-the-job training. Some of them are as follows.

	On-the-Job Training	Off-the-Job Training
1.	This training takes place on the job. Under this, trainee is trained on the job at the work place.	This training takes place outside the job situation. Under this, training is separated from the job situation.
2.	It is easier to trainee to get training under the same working conditions, and with the same persons, materials, and equipment that s/he will be using ultimately.	It focuses learning the materials related to trainee's future job performance.
3.	The training involves 'learning while working'.	The trainee can concentrate on learning, rather than spending time in performing it.
4.	It is learning by doing at work place.	Under it, trainees are removed from the stresses and demands of workplace.
5.	It is not located on the artificial adoption of a classroom.	It is mostly classroom-based.
6.	The supervisor or an experienced employee follows a set procedure in training an employee to perform a particular task.	The instructor organizes the materials and gives it to a group of trainees in the form of a talk.
7.	This training is suitable for the trainee who needs to handle tools, to operate the machines, etc.	This is suitable when concepts, problem solving ability and attitudes are to be learned or where depth of knowledge is required.
8.	It is more interesting because persons enjoy with their work.	It may be boring and monotonous.
9.	Effective feedback is possible in on-the-job training.	Effective feedback is not possible in off-the-job training.
10.	For example, following persons need to provide on-the-job training: • electricians, • plumbers, • accountants, • students of technical and management subject.	For example, following persons need to provide off-the-job training: • pilot • computer trainer • plant operators, • astronauts

Some Useful Techniques of Training

Some Useful Techniques of Training	Description
Ice Breakers	Games to get your members loosen up and relax
Leadership Games	Exercises to teach different styles of leadership
Skill Games	Tools to develop analytical skills
Communication Games	Exercises to build trust, free flowing and helpful
Strategic Planners	Games to test ability to plan ahead
Team Building Games	Exercises requiring collaboration and teamwork
Role Reversal	Exercises to teach plurality of views
Doubling	Brings out ideas that are not often considered
Tag Teams	One role played alternately by two people
Mirroring	Seeing with an emotional perspective
Monologue	Juggle just a given information
Talking Physical	Highlighting of communication problems
Pictionary	
Structured Role Playing	Role-play with predetermined objectives
Multiple Role Playing	Providing a common focus of discussion
Role-to-Tension	Teaching the importance of applying theory
Shadowing	Working under a senior to watch and learn
Outward-Bound Training	Adventure sports for teams
In-Tray	Self assessment by a leader of leadership skills
Lateral Thinking	Thinking randomly to come up with new ideas
Morphological Analysis	Listing of alternative solutions to problems
Gordon Technique	Sharing a few issues to crystallize solutions
Attribute Listening	Isolation, selection and evaluation of crystallized solutions
Cross-Cultural Training	Programmes to teach specifics of a new culture

Source: Adapted from Dessler op. cit. 7.2 (2000)

How to Look: Training via Internet

Training programmes delivered via internet have also been thought of as most cost effective mode. It is not only cost effective but also helps in the real time information need of employees. Moreover, it involves convergence of several technologies like hardware, software, web designing and authoring, instructional design, multi-media design, telecommunication and finally internet intranet network management. Organisation can enhance e-learning training modules at relatively cheaper rate. Even though moving through e-learning is gaining increasing, we do not have adequate empirical evidence to justify this.

Source: Aswathappa, K.(2007) Human Resource Management. New Delhi: Tata McGraw Hill Limited

9. Management Development

Concept and Meaning of Management Development

Management development is one of the significant strategies of the human resource management function. It is the systematic process of growth and development by which managers develop their abilities to manage. Management development means not only improvement in job performance, but also improvement in knowledge, perception, attitudes, behaviour of an executive. It means that management development focuses more on the executive's personal growth, as the result of not only participation in normal courses of instruction like or actual job experience. It is concerned with improving the performance of the managers by giving them opportunities for growth and development. Management development is also known as executive development.

Gary Dessler – "Management development is any attempt to improve managerial performance by imparting knowledge, changing attitudes or increasing skills."

Thorson and Robbins – "Management development is further oriented training, focusing on personal growth of the employee."

Dale S. Beach – "Management development is a systematic process of training and growth by which individuals gain and apply knowledge, skills, insights and attitudes to manage work organizations."

Mathis – "Management development focuses on developing on a systematic manner the knowledge base, attitudes, basic skills, interpersonal skills and technical skills of managerial cadre."

Mondy and Noe – "Management development consists of all learning experiences provided by an organization for the purpose of providing and upgrading skills and knowledge required in current and future positions."

L.L. Byars and L.W. Rue – "Management development is concerned with developing the experience, attitudes and skills necessary to become or remain an effective manager."

Thus, management development is a planned, systematic and continuous process of learning and growth by which managers develop their conceptual and analytical abilities to manage. It is a set of activities designed to improve the performance of existing managers and to provide for a planned growth of managers to meet future organizational requirements.

Concept of Management/Executive Development

Some features of management or executive development are as follows:

- Management or executive development is a planned, organized and systematic process of learning.
- It is a continuous process throughout the executives' entire professional career because there is no end to learning.
- Managerial skills cannot be developed over night or in a one shot.
- It is a long-term process.
- It is guided self development.

Objectives of Management Development

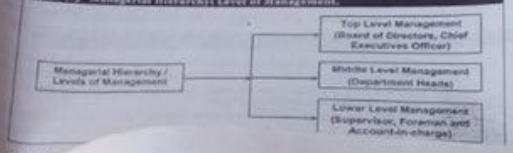
The main objectives of executive development are given below:

- To impart the basic knowledge to the new entrants so that their overall knowledge is increased and their conceptual and decision making skills are improved.
- To improve the performance of the managers at all levels in their present jobs by exposing them to the new concepts, techniques.
- To build up a second line competent managers.
- To develop and implement the latest management techniques in place of traditional systems in order to increase the productivity.
- To introduce the change in the organization by developing executive into change agents.
- To influence the behaviour of workers through the executives.
- To provide the opportunities to the managers for their career advancement.

Importance and Need of the Executive Development Program

Management or executive development is comparatively new concept. Before the World War II, the common belief was that the managers are born, not made. Now it has been replaced by the view that managers can be made by giving them proper opportunities for development. The assumptions that a man could acquire leadership, skills and management abilities by serving long-term have gone wrong. Every worker cannot be a good manager by his experience alone. For achieving the common objectives and managing people at work, certain abilities to lead and motivate the people are necessary

Figure 2.5 Managerial Hierarchy: Level of Management.



10. Techniques/Methods of Management Development

A wide variety of techniques or methods are used for management development. They are: on-the-job development and off-the-job development.

- On-the-Job Development
- Off-the-Job Development

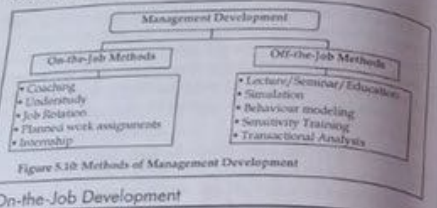


Figure 5.10: Methods of Managment Development

A. On-the-Job Development

On-the-job development techniques are most widely used techniques. The objectives of these methods centres around job, more specially, learning on the job itself by a variety of methods. The success of these methods depends upon the immediate supervisor and how a good teacher s/he is. It is utmost importance as the real learning takes place only when the learners use what they have learnt on the job methods includes:

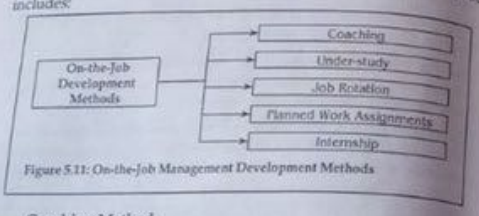


Figure 5.11: On-the-Job Management Development Methods

1. Coaching Method

In this method, the superior guides and instructs the trainee as a coach. The coach or counselor sets mutually agreed upon goals, suggests how to achieve these goals, periodically reviews the

trainees progress and suggests changes required in behavior and performance. The management trainee works directly with a senior manager and the manager takes full responsibility for the trainee's coaching. Classically the trainee is being groomed as replace the senior manager and relieve him from some of his duties. This gives a chance for the trainee to learn the job also. Mainly, in this method, the superior teaches or guides the new manager about the knowledge and skills of a specifically defined job. The superior points out the mistakes committed by the new manager and then also gives suggestions to improve upon. In most organizations, coaching is done on an informal basis and is dependent on the coach having the inclination, time and motivation to do it, as well as possessing the necessary expertise and judgment for it to succeed.

Advantages

- There is an opportunity of learning by doing.
- There is an opportunity for high interaction between learner and coach.
- There is an opportunity for quick and instant feedback.
- Learners are self-motivated to develop competencies.

Disadvantages

- There may be tendency to perpetuate the current managerial style and practices. It is so, because the trainers coach the managers with their own management style and cultivate their own management practices.
- Heavy reliance on the coach's ability to be a teacher.
- This method may be ineffective and risky, as all the managers are not necessarily effective teachers or coaches.

Under-study Method

An under-study is as person who is in training to assure at a future time, the full responsibility of the position currently held by his superior. This method supplies the organization a person with as much competence as the superior to fill his post which may fall vacant because of promotion, retirement or transfer. An under-study may be chosen by the department or its head. He will then teach what his entire job involves and gives him a feel of what his job is. This under-study also learns the decision making as his superior involves him in the discussion of daily operating problems as well as long term problems.

Advantages

- The under-study managers gain valuable knowledge and experience.

- The under-study managers become important source for filling up vacant posts in future.

Disadvantages

- This method is not suitable for long period of time and is is costly too.
- The trainee manager may be unable to make major decisions.
- There are the chances for high errors.

3. **Job Rotation Method**

This kind of management involves shifting the trainee manager from one department to another or from one job to another. This enables the trainee to gain a broader understanding of all parts of the business and know the organization as a whole functions. The trainee gets fully involved in the departments operations and also gets a chance to test his own aptitude and ability.

Job rotation allows trainees to interact with other employees facilitating future cooperation among departments. When trainee managers are developed by this method, the organization finds it easier at the time of promotions, replacements, or transfers.

Job rotation can of following types:

a. **Planned Rotation:** In this type of rotation, managers spend two or three months on a job and are then on to other jobs. In this way, they learn several different jobs.

b. **Situational Rotation:** In this type of rotation, shifting is done to meet work schedules or to make the job challenging to the manager.

c. **Line and Staff Position:** In this type of rotation, managers are shifted between line and staff positions.

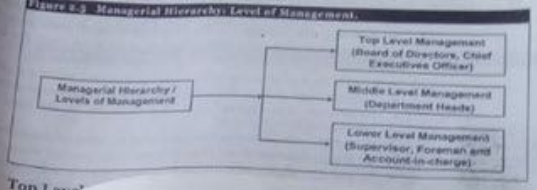
Advantages

- In this method, managers can broaden their experience and become familiar with a variety of jobs.
- Managers can learn new ideas. It reduces boredom and monotony in job.
- It develops specialist managers as generalists.
- It increases interdepartmental coordination.
- It facilitates evaluation of managers.

Disadvantages

- It may lead low productivity as the rotated managers have little knowledge when shifted to new jobs.

Figure 2.3 Managerial Hierarchy: Level of Management.



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- It can be expensive because cost of rotation may be high.
- Shifted managers lack specific responsibility and opportunities for specialization.

4. **Planned Work Assignments Method**

They are also known as *committee assignments*. Under this method, managers are assigned to task forces and special committees where they learn new things and skills. Such committees are assigned to investigate or probe certain management problems and irregularities reported to the management. Such panels may also conduct research works. The managers learn by the discussions in the committee meeting.

Advantages

- Members have the opportunity to acquire the knowledge of various aspects of business.
- It helps to identify the members who have the skills and capabilities of an effective manager.
- Members have the opportunity to participate in the group interaction and thereby gain the practical experience of group decision making.
- It is relatively inexpensive method of management development.
- Considerable number of executives can be developed in a short span of time.

Disadvantages

- This method may lead to dumping of 'unwanted' managers and high politics prevailing in the committees.
- Mangers may be affected by disadvantages associated with committees.
- Mangers may not take full responsibility.

5. **Internship Method**

It is also a method meant for technical and skill oriented jobs and has a goal to combine the classroom-oriented theoretical knowledge with practical application and work experiences. Under this method, managers are interned in organizations for a specified period to work as employees to gain practical knowledge and experiences.

Advantages

- It provides theoretical knowledge, and practical application of that knowledge and work experiences.

Advantages of Lecture/Seminar

- It can cover large group of managers at low cost.
- It can cover more ground within a limited time-frame.
- It is suitable for analysing and examining issues from different viewpoints.
- Audio-visual aids like films, video, television, overhead projector, power points can be used for making the lectures and seminars interesting.

Disadvantages Lecture/Seminar

- This method can lack active involvement of participants.
- Lectures may not be highly motivated.
- Lack of feedback from the learners in this method may lead to difficulty in determining the degree of learning.
- This method focuses only on theoretical knowledge.

Simulation Method

It is an exercise of abstracting a real working condition in a classroom or laboratory. Simulation duplicates the actual work situation as nearly as possible thereby creating an artificial work situation. Trainee managers are placed in that artificial work situation and they learn with the actual or simulated equipment and environment. The techniques of simulation are as follows.

Case Study

The case study is based upon the belief that managerial competence can best be attained through the study, review/analysis and discussion of concrete cases. When the trainees are given cases to analyse, they are asked to identify the problem and recommend tentative solution for it.

The case study is primarily useful as a training technique for managers and supervisors and is specially valuable as a concept of developing discussion-making skills, and for broadening the perspective of the trainee.

In case study method the trainee is expected to master the facts, dwell acquainted with the context of the case, define the objective sought to dealing with the issues in the case, identify the problem, develop alternative courses of action, define the controls needed to make the action effective and role play the action to test its effectiveness and find conditions that may limit it.

Advantages

- It enhances analytical power of managers.

Figure 3.3 Managerial Hierarchy: Level of Management

Managerial Hierarchy (Levels of Management)

- Top Level Management (Board of Directors, Chief Executives Officers)
- Middle Level Management (Department Heads)
- Lower Level Management (Supervisor, Foreman, Joint Managers in charge)

Top Level

- Good success can be picked by the organization ... managerial promotion.

Disadvantages

- Managers may lack consensus during outsourcing.
- There cannot be clearness about what to learn and what which means.

8. Off-the-Job Development

Executives or managers can be given training through off the job methods. Such methods are used away from workplaces. Location of this training may be a company classroom, an outside place owned by the organization, an educational institution or association, which is not a part of the company. The major off-the-job techniques or methods are as follows:

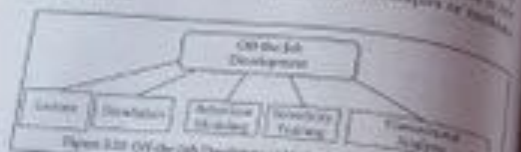

Figure 3.10 Off-the-Job Development Methods

1. **Lecture/Seminar/Study Method**

Lecture: This is formally organized talks by an instructor on specific topics. This method is useful when philosophies, concepts, attitudes, theories and problem solving have to be discussed. The lectures can be used for a very large group to be trained in a short time. These are essential when technical or special information of a complex nature is to be imparted. The lectures are supplemented with discussions, films shown, video television, overhead projector, power points, etc.

Seminar: Under this method, the group learns through discussion of a paper on a selected subject. The paper is written by one or more trainees. Discussion may be on a statement made by the person in charge of the seminar or on a document prepared by an expert. The material to be analysed is distributed in advance in the form of assigned reading.

Study: Under this method, managers can be sent to universities or colleges to pursue degree programmes and PhD. They can earn educational degrees.

- It provides stimulating discussions among participants which, of course, improves decision making abilities within the given constraints.
- It makes training interesting.
- This method encourages participation.

Disadvantages

- Many parts of learning might not be useful in the real-life situation.
- Chances of copying behavior of a lead manager or a misleading role.
- It is time consuming.

3. **Role Playing**

This method is also called 'role-reversal', 'sociodrama' or 'psycho-drama'. Here trainees act out a given role or situation, as would in a stage play. Two or more trainees are assigned roles in a given situation, which is explained to the group. There is no written lines to be said and, naturally, no rehearsals. The role players have to quickly respond to the situation that is changing and to react to it as they would in the real-life situation. It is a method of human interaction which involves realistic behaviour in an imaginary or hypothetical situation.

Role playing primarily involves employee-employee relationships, hiring, firing, discussing a grievance, giving or conducting a post appraisal interview, disciplining a subordinate, or a salesman making presentation to a customer.

Advantages

- Managers learn interpersonal skills by this method.
- Managers experience real job situations in a simulated environment.
- Managers understand the role situation from the perspective of others.

Disadvantages

- It may appear artificial to participants. Some participants may feel self-conscious.
- It is difficult to duplicate the pressures and realities of actual decision making on the job.
- Individuals often act differently in real-life situations than they do in acting a simulated exercise.

4. **Critical Incident Method**

This method was developed by Flanagan. It aims to develop the trainee in the area of intellectual ability, practical judgement and social awareness. In this method, brief sketches of a critical incident that actually happened in the organization are provided to the participants. They dig out the essential facts and make decisions through group discussions.

5. **Management Game**

In this method, management game is devised on the model of business situation. Then, trainees are divided into groups who represent the management of competing companies. They make decisions just like those we make in real life situations. The decisions made by the groups are evaluated and the likely implications of the decisions are fed back to the groups.

6. **Behaviour Modelling Method**

This method combines role play with modeling. It helps to analyze interaction problems faced by managers, practiced and reviewed to job. It involves the following steps.

- **Model study:** Under this study, the participants watch films or videos of model persons behaving effectively in problem situations.
- **Role play:** Under this method, participants practice the right behavior through role play in an artificial situation.
- **Reinforcement:** Under this method, trainers positively reinforce the participants by providing feedback about their performance.
- **Skill transfer:** Under this method, participants transfer the new skills on the job.

7. **Sensitivity Training Method**

It is also known as **laboratory training**. It uses small number of trainees who meet with a passive trainer and get an insight into their own behavior and that of others. These meetings have no agenda and take place away from the workplace. The discussions focus on why participants behave the way they do and how others perceive them. The objective is to provide the participants with increased awareness of their own behavior, the perception of others about them and increased understanding of group process. This results in increased openness with others, greater concern for others, increased tolerance for individual differences, understanding of group processes, enhanced listening skills, increased trust and support, and improved conflict resolution skills.