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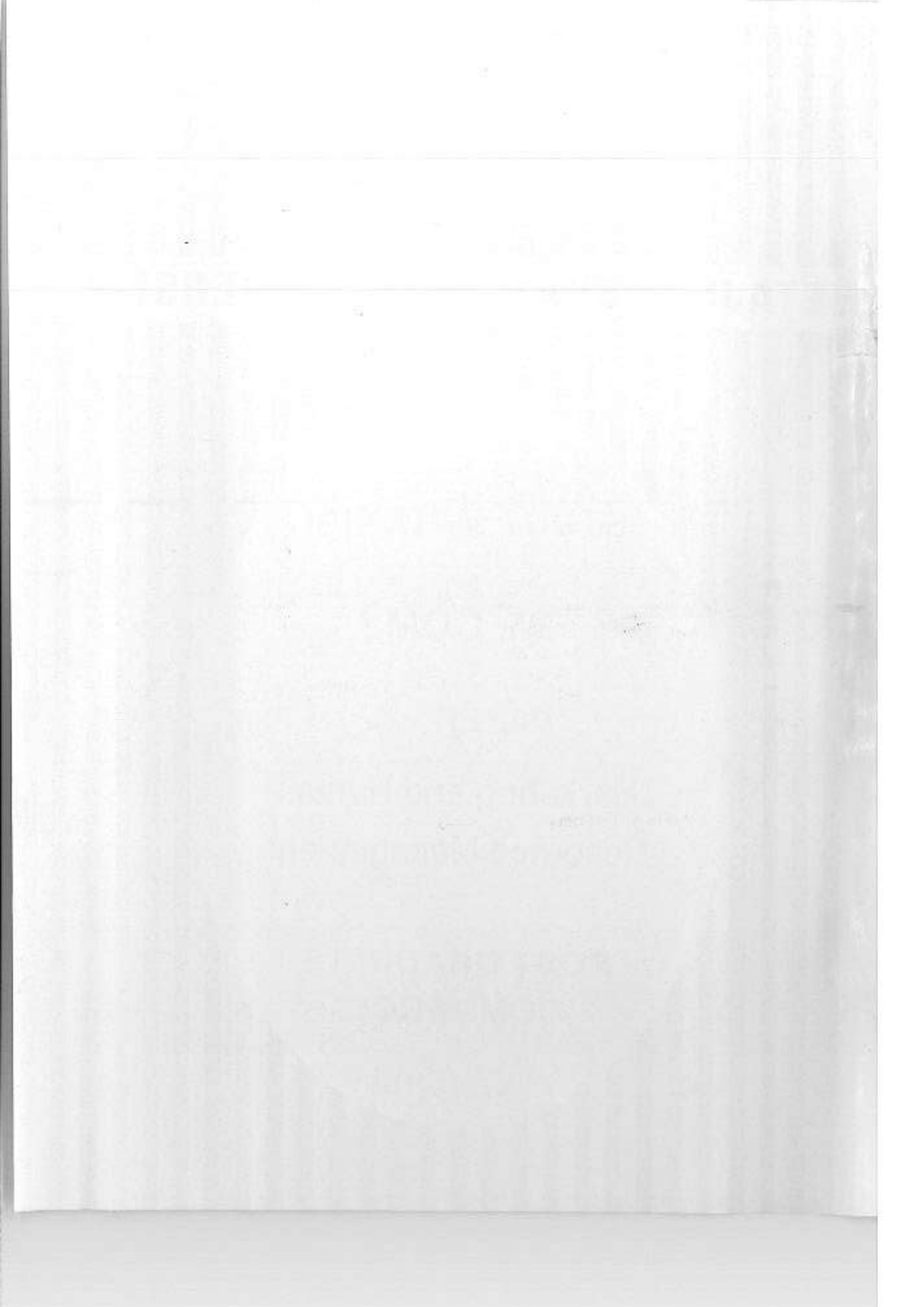
STUDY MATERIAL

M. COM.

PAPER - 12

**Marketing and Human
Resource Management**

**POST GRADUATE
COMMERCE**



PREFACE

In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post-Graduate course in any subject is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation.

Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analyses.

The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of a proper lay-out of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other.

The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University.

Needless to add, a great part of these efforts is still experimental-in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned.

Professor (Dr.) Subha Sankar Sarkar
Vice-Chancellor

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POST-GRADUATE : COMMERCE

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Paper - 12

Modules 1 & 2

Marketing and Human Resource Management

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POSTGRADUATE : COMMERCE
(M. COM)

Paper - II

Statistics I & II

Statistics and Business Research Management

Page No.

Marking Scheme

1. Introduction to Statistics

2. Descriptive Statistics

3. Inferential Statistics

4. Business Research Management

Question

1. Define Statistics. What are its functions?
2. Explain the difference between Descriptive and Inferential Statistics.

3. What is Business Research Management?

4. Explain.



Module

1

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Module

1

- Unit 1.1 Introduction to the subject
- Unit 1.2 The scope and objectives of the subject
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Module

2

- Unit 2.1 Introduction to the subject
- Unit 2.2 The scope and objectives of the subject
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- Unit 2.4 The scope and objectives of the subject
- Unit 2.5 The scope and objectives of the subject
- Unit 2.6 The scope and objectives of the subject

Unit 1 □ Marketing Tasks, Concepts & Tools

Structure

- 1.1 Introduction**
- 1.2 Nature and Scope**
- 1.3 Difference between Selling and Marketing**
- 1.4 Questions**
- 1.5 References**

1.1 Introduction

The term 'marketing' refers to a social and managerial process by which it aims to satisfy the needs and wants of consumers or society against some consideration, tangible or intangible and in a socially responsible manner. It is a process of providing value-based satisfaction and giving shape to consumer's dreams. Although earlier marketing was associated with the concept of selling, the orientation has changed towards first assessing the various requirements of consumers and then satisfying them appropriately.

A business organisation performs a range of activities towards achieving its coveted objective or goal. Marketing is one of these activities. The concept of marketing was earlier limited to all activities relating to post-production scenario within the organisation. It means virtually that the task of selling the product was considered to be the domain of marketing management. With time, and with the changes in socio-economic environment all over the world, consumers slowly became aware of their rights and therefore they started to exercise them. In this changed environment the marketer had no other option but to respond to the changes in the environment. Marketers then first started assessing the needs of prospective consumers, along with their problems, and how they wanted to solve their own problem. In this changed environment the concept of marketing took an entirely new dimension, where the responsibility of the production department was concentrated towards giving formal shape to the desires of the consumer. Therefore, one can easily realise that what was earlier limited to only selling and other associated activities, become much more wider both in terms of dimension as well as the scope. Marketing today is both pre-production as well as post-production activity

and it would not be wrong to conclude that the success of marketing, or rather a business organisation, depends on how well that organisation manages and control post-production activities of marketing. Marketing is therefore of great significance to a business organisation because the sole objective of profit making that drives a business organisation now has many additions to it. Consumer satisfaction and being responsive to consumer's rights, or in other words, honoring and respecting consumerism, tops the priorities of a business organization regarding objectives. In fact, the activities within a business organisation centers around marketing. It becomes more clear from the fact that the success of an organisation depends on successful and careful implementation of three creativities :

- Creativity regarding product development.
- Creativity regarding technological development.
- Creativity regarding marketing strategies.

1.2 Nature and Scope

Marketing generates revenues that are managed by financial people and used by the production people in creating products (goods or services). The challenge of marketing is to generate those revenues by satisfying consumers' wants at a profit and in a socially responsible manner.

First, marketing is a dynamic and matching process by nature. It is both the starting and finishing point of a business activity. Marketing is essentially concerned with forecasting and creation of utility value; even ideas.

Second, the focus of marketing lies not on the consumers but on their predispositions and mindset. It is the consumer psyche and process involved in understanding it that forms the epicentre of marketing activity.

Third, it is an exchange function that primarily involves activities like concentration, dispersion and equalisation. It suggests concentration of action on a widely dispersed market place and respecting each consumer category in equal terms.

Marketing again is not limited only to business. It has a broad societal meaning. Any interpersonal or inter-organisational relationship involving an exchange or transaction is marketing by nature. Hence it occurs any time one social unit strives to exchange anything of value with another social unit. In social perspectives, therefore, the terms Marketer, Product and Market, all assume much broader dimensions. The

marketer may include, apart from business firms, political parties marketing the party, trade unions selling their ideologies and promises to the workers, director of a museum trying to sell the display of artefacts for greater attendance and revenue, or even a professor trying to sell his subject. Looking into the product we may find that the concept may span well beyond anything that is physically tangible in nature. Ideas may form a product category where various humanitarian measures being taken through social marketing campaigns with an objective to reduce various socially deplorable practices and habits places may also be a selling commodity in tourism sector and also in industrial zones. Sometimes important people and personalities are roped in to endorse brands and become brand ambassadors. This reflects more of selling the person than the product. Finally the market may not stay confined to a given address having a cluster of shops. It may well become virtual and assume different dimensions depending upon the nature of product and the consumers associated with it. For example for an environmentalist or government regulatory agencies the framework is different.

It is clear from above that it is marketing that brings success to a business organisation.

Marketing management is a dynamic and matching process by nature. Marketing in broader terms include a market comprising of consumers who are believed to be heterogeneous in all respects, a society which comprises of a social code of conduct and a large number of market related forces, which include economic factors, legal factors and environmental factors in general. The task of marketer is to coordinate these factors and thereby offer the best possible solution to the consumer. This process is a continuous one and not a one-time exercise. The basic feature of marketing lies in its dynamism. The ability of the marketing to respond to the changes in society and other uncontrollable factors in the environment gives marketing a dynamic image. It is a process of balancing the various requirements of society. Marketing today is also known as societal marketing by which it tries to achieve its end in the long run interest of the society. Apart from these basic issues, marketing plays an important role in collecting feedback from the market. Various distribution policies depend upon these feedbacks and also the law of the state. It is also clear from the basic concept of marketing that marketing is not concerned only with selling. The task of marketer is much wider. It includes a process of exchange but this process of exchange is preceded by such activities, which makes the process of exchange very smooth and easy. It includes a market comprising of heterogeneous sets of consumers or buyers. It therefore falls upon the marketer to understand these consumers in their own way and satisfy them. Innovative approaches in terms of product design and services may also add to the efforts of the marketer. Therefore, if one tries to analyse the concept of marketing, one may notice

that it is the concept of "by the consumer, for the consumer and of the consumer" that shapes the whole process of marketing. This decentralisation of attitude towards the consumer is the major theme, which governs each and every characteristic or features of marketing management.

In general marketing management mainly deals with the exchange function. It is very usual that it is concerned with selling, exchange of title, or transfer of ownership. In the background, however, if one analyses the range of functions that fall within the domain of marketing, then marketing functions can be broadly divided into two categories

- a) Economic functions
- b) Managerial functions

Economic function relates to all those activities, which are directly or indirectly related to the generation of revenue or to the economic prosperity of the organisation. Economic functions can again be divided into three major groups :

- a) Exchange function
- b) Physical supply function
- c) Facilitating function

Exchange function is mainly related to the transfer of ownership or title of goods from the point of producer to consumer. Physical supply function includes activities related to goods in transit. It therefore deals with various transportation and warehousing facilities and other logistics related data, which ensures the smooth transit of goods from producer to the retailer. Finally the facilitating function ensures the convenience of consumer in taking a purchase decision regarding a product. It includes such activities like grading product according to excellence in quality, standardisation of products in terms of market acceptable standards in order to prevent consumers from any type of injustice, and by offering service warranties after purchasing which minimises the risk at the end of consumer.

Managerial functions of marketing however include activities like determining the target consumer through a process of market segmentation. This helps the marketer in segmenting a market into various homogeneous zones and concentrate on any particular zone that the marketer prefers. Research and development for product innovation, new product development or product upgradation is another very important area, which falls within the managerial functions of marketing. To sustain the market share of the mother brand, or to bring in a new product once the earlier one becomes

obsolete is a major function of marketing. Besides this, activities like giving an appropriate name to the product, selecting an appropriate packaging, matching the different buyer behaviour trends, also fall within the purview of managerial functions. Finally, appropriate price, which corresponds to the purchasing power of the consumer in the respective market segments, becomes a major decision making factor. Selecting an appropriate distribution network and planning a proper promotional theme for the products and also various post-transaction services ends the list of managerial functions of marketing.

Although the economic functions and managerial functions comprise the major share of marketing functions, one cannot ignore the social aspect of marketing management. Adhering to the social code of conduct, performing certain social responsibilities to bring some positive changes within the society, fall within the purview of societal dimension of marketing management.

The most basic concept underlying marketing is that of human needs. A human need is a state of felt deprivation. Human beings have a very complex need structure. This includes basic physical needs for food, clothing, warmth and safety; social needs for belonging and affection; and individual needs for knowledge and self expression. These needs are the basic elements of human makeup.

Human wants are forms taken by human needs as they are shaped by culture and individual personality. Different people in different situation may try to satisfy their hunger through different means and types of food. Specification of needs result into a want. As society develops, wants of its members expand. As individuals get exposed to more and more objects that arouse their interest and desire, producers try to provide more want satisfying products and services.

Consumers view products as bundle of benefits. They choose bundles that give them best value for money. Given their wants and resources, people choose products with the benefits that add up to the highest level of satisfaction.

Marketing as a concept has evolved through various stages over time. It was a journey from the days of product orientation to consumer orientation with a small stopover through sales orientation exercise. The stages through which the concept of marketing evolved over time may be discussed in eight stages.

First it was the stage of self sufficiency that highlighted the concept of need that existed naturally with every human being. This provided the impetus to today's marketers to realise that need as a characteristic is not something that evolved out of the modern lifestyle of 21st century. It was not recognised before because of the absence of organised external agency that could have addressed those felt needs of primitive civilisation in a much better way.

The stage of primitive communism refers to process of distribution among the members of the commune. Distribution is another vital step further towards the culmination of concept of marketing taking a total shape.

Simple barter is another important stage in human civilisation that refers to the process of exchange, another vital element in the concept of marketing.

It was through the stage of local market that people learned to gather together at a given address at a given point of time to transact business. However, uniformity in the medium of exchange came into existence with one small development. It is when the human civilisation enters the stage of money economy.

The stage of early capitalism witnessed few wealthy civilians in the society trying to invest money in manufacturing products of common use and appointing sales representatives to sell them within the locality.

Mass production is the stage that experiences a large oversupply of commodities calling for branching out into new markets and at the same time concentrating on efficient distribution mechanism. In addition to this, advertisement became a necessity because of the need to introduce a product in an unknown market.

Finally with the stage of affluent society consumer choices became a priority. Marketing came full circle. The process became for the consumer, by the consumer and of the consumer. The concept of branding and brand positioning emerged as a new tool for fitting a product profile into the choices of the market segment. Consumers started to exercise their rights. This happened because of the rapid speed of technological development and growing consciousness among the consumers about what they need and what they do not need. Consumers became the king.

Marketing has evolved beyond the concept of consumer orientation. Today marketing is more societal in nature than simply a process of churning out umpteen numbers of variations in a product category and adding to the frustration and indecision of the consumer.

Societal concept aims toward delivering the desired satisfactions of the consumers, more effectively and efficiently than the competitors in a way that maintains and improves the consumers and society's well being. In fact societal marketing aims to optimise the needs of consumer with relation to what the producer offers. The entire concept of societal marketing concentrates on two major dimensions:

- a) The time dimension.
- b) Breadth dimension.

Time dimension tries to inspire marketers to produce products that would help the society in long run. In other words the products should take into account the long terms interests of the society, particularly in terms of protecting environment and promoting sustainable growth.

Breadth dimension on the other hands promotes such responsibilities upon the marketers where they should take into account the task to abstain themselves from damaging the interests of the nonusers of their products.

Societal marketing includes some issues of social marketing, which aim towards marketing certain ideas or concepts, intangible in nature but aimed towards bringing certain behavioural changes within the society at large. It aims to remove various superstitions, social taboos, false beliefs and evil practices within the society, for the benefit of both the society as well as the marketer. Examples like literacy campaign, campaigns against drug addiction, campaigns against superstitions, for health and family welfare against child labour, are some of the major areas of social marketing, specifically in Indian context.

1.3 Difference between Selling and Marketing

Selling

Selling starts with the seller and is pre-occupied with the needs of seller

It starts with product

It emphasises saleable surplus with the organisation and tries to convert product into cash

It over emphasises the exchange concept without caring for the value satisfaction

It views business as a goods producing unit

Seller determines the product to be produced

Marketing

Marketing starts with buyer and is focused on buyer's needs

Marketing starts with assessing Consumer's requirements

Marketing emphasises identification of market opportunities and tries to convert consumers' needs into product

Marketing is primarily concerned with value satisfaction

It views business as a consumer satisfying process

Buyer determines the product to be offered

Selling

In selling, packaging is essentially considered as a tool for protecting the product

Cost determines price

Distribution is considered as mere extension of production function

The concept is to sell somehow with no coordination among the different functions

Different departments of business operate as separate watertight units

Production is the primary department while sales is the subordinate one

Selling views consumer as the last link in business of product life cycle.

Marketing

Packaging is viewed in marketing as a tool to provide maximum possible convenience and satisfaction to the consumer

Consumer determines price

Distribution is one of the most important function of entire marketing system and is a part of the package offered to the consumer

Marketing adopts an integrated strategy involving product, price, place and promotion

All departments operate in close harmony

Marketing is the central most function

Marketing views consumer as the very purpose of business.

1.4 Questions

- (1) What is marketing?
- (2) Enumerate the evolution of marketing management through the ages.
- (3) What is societal marketing?
- (4) Describe in detail the nature, scope and importance of marketing.
- (5) Briefly point out the major functions of marketing.

1.5 References

Marketing management by Kotler and Armstrong, PHI

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Marketing management by Namakumari and Ramaswami, Macmillan

Unit 2 □ Market Oriented Strategic Planning

Structure

- 2.1 Introduction
- 2.2 Service Mix
- 2.3 Market Segmentation
- 2.4 Product Differentiation
- 2.5 Questions
- 2.6 References

2.1 Introduction

'Marketing Mix' as a concept refers to the various ingredients and components that give shape to the package or the product portfolio offered by the marketer to its target audience. These ingredients which form the package is also popularly known as 4P in marketing management. In other words, Product, Price, Place and Promotion form the package of the marketer.

It was James Culliton who for the first time used the term marketing mix. However, later on it was Jerome McCarthy, who used the coinage 4P of marketing in place of marketing mix. These individual ingredients Product, Price, Place and Promotion contain a large number of sub-variables that should be taken into consideration before optimising the components for the package. The more important aspects are mentioned below :

Product :

- Portfolio : Width, Length and Depth of portfolio (product mix)
- Design, shape and size, colour, flavour, etc. (features and attributes)
- Packing and Packaging
- Branding
- Merchandising

Price :

- Resale price maintenance
- Pricing strategies
- Channel margin
- Payment terms

Place :

- Pace of delivery
- Channel design and structure
- Territory and conflict management
- Logistics management
- Physical transportation
- Storage and warehousing

Promotion :

- Advertisement
- Publicity, Public relations
- Personal selling
- Sales promotion

(These are indicative, not exhaustive)

The marketing manager is often referred to as the mixer of ingredients who sometime follow a recipe prepared by others, sometime prepares his own recipe and sometime adjust a recipe according to the ingredients immediately available or sometime even invents some new ingredients while preparing an optimum recipe for the target market.

Regarding Product the marketer is first required to decide on the product portfolio with reference to the length, breadth and depth of the portfolio. This refers to the number of product lines, the number of items in each product line and the number of variations in each product item. The marketer is also required to concentrate on the product design, shape, appearance and features associated with the product. The various advantages that the product may come along with will certainly help the product in achieving a solid base in the market place. Packaging, along with the choice of package material, should also be taken care of. Packaging, although primarily associated with providing protection to the product, carries enormous importance in terms of providing convenience

and increasing sales appeal. Branding is another area which carries significance in connection with product development. It is a major variable or factor for establishing a product in the market place. Therefore, while deciding a brand name, the nature of product and also the culture and custom of the target market should be taken into account. Merchandising is another area which one cannot ignore. This refers to the process of making a product eligible for display at some strategic place at the point of purchase, in order to draw consumer attention and ensure trials. This is also a product attribute. Continuous search for new product, pre-sale and post-sale service, development of existing product, also come within the purview of product management.

Price, or the monetary translation of the utility that a product provides, also speaks for the product and is considered as a very important ingredient of the mix. Marketing manager is therefore required to decide on the pricing strategy for the product in addition to various discounts, payment schemes, and delivery terms. The target for cash and credit transactions should also be specified in order to help the firm in managing its liquidity problem. To put an end to consumers complaints regarding variable price, the marketer should also adopt a policy of implementing 'resale price maintenance'. Through this method the marketer may specify the maximum price, the minimum price or even the fixed price at which the product should be sold to the ultimate consumer.

Place or distribution is the third P of the marketing mix. It ensures smooth and regular supply of product through the distribution network that cover the entire market over which the marketer operates. Determining an efficient channel including channel remuneration, warehousing facilities for zonal distribution, physical transportation of product, and in-transit insurances are the major issues in this process. The marketer is required to plan and choose from various traditional, direct, indirect and hybrid methods involved in distribution. The type of middleman (if any exists) should be considered, since the ability of the middlemen do have an impact on the products' fortune.

Promotion or the final P in the marketing mix comprises mainly of four variables viz. advertisement, personal selling, sales promotion and publicity. Although the marketer takes help of all the four machineries stated above for promoting the product, the proportion of each of them in the total promotion mix vary from product to product in terms of the market, consumer, stage of life cycle, and even with relation to the availability of funds.

Although product, price, place and promotion comprise the basics of marketing mix, the marketing manager in present-day context uses a larger number of variables in managing the product portfolio. For instance, "Pace" or speed at which new products or variables are launched or introduced in becoming more and more popular with the marketers for maintaining their lead in the market place. "Pace of delivery" (how quickly

goods or services can be reached to the customer after receiving the order) is a vital variable in JIT ("Just-in-time" or "zero inventory" style of inventory management, as developed by the Japanese) type of inventory management, and indispensable in managing customer relationships, especially in business-to-business (B to B) transactions. Also packaging, which is discussed above under the product variable earlier, is used by modern marketers as a separate and independent variable altogether because of its enormous flexibility in upgrading a product, promoting a product and adding some value to a product. Therefore these are the various variables that require marketer's attention and wisdom while planning an efficient package for the marketing mix, which is the crux of the marketing job.

2.2 Service Mix

Three additional P's (taking into account the features of a service like, intangibility, inseparability, heterogeneity, perishability and nonownership) for marketing services are : People, Process and Physical evidence (Essential and Peripheral)

People is one of the most important variables in a service, since in a large number of situations the service is inseparable from the service provider. The delivery system or the process is equally important since it is an important parameter that influences standardisation and uniformity in customer service. Finally, physical evidence adds to the tangibility that is very much in wanting in a service. For example, ATMs in banks help in standardisation, while freebies given by various airlines help in improving the tangibility factor. Service as a product is very much complex mainly because of the fact that a service is intangible, inseparable, heterogeneous, perishable and that which cannot be owned. Further, services are high in credence quality (trust, faith), as opposed to goods which are high in search or experiential qualities. In fact, some services cannot be fully evaluated even after consumption (e.g one-time services, such as a major surgical operation), where the consumer is never certain whether he got the best buy (because he cannot have a comparable experience). Marketers develop more of trained personnel to provide services to take care of the "inseparability" factor ; introduce stringent process control techniques to reduce variability (heterogeneity) in service delivery; arrange for physical evidence (ambience, equipment, certificates, etc.) to "tangibilise" services (i.e give an indication regarding quality of service that may be available); resort to both Demand management (eg. quota, price variations, etc.) and supply management (eg. additional man-power or working overtime) to take care of the "perishability" aspect of services.

Strategic Marketing planning is the process of developing and maintaining a strategic match between the organisation's goals and capabilities and changing marketing opportunities.

The Planning Process at the corporate level includes :

- Defining the company mission
- Setting company objectives and goals
- Designing the business portfolio

At the business unit, product and marketing levels it consists of

- Planning marketing and other functional strategies

According to Porter a company can base its basic strategies on any of the following platforms :

- Supplying its product or service more cost effectively
- Adding value to its product or service through differentiation
- Narrowing its focus to a special group of customers, segment or on a product it can monopolise

Porter provided four basic Competitive strategies based upon the *Competitive scope* (Broad or Narrow) of the firm and *Competitive advantage* (Due to Low cost or Differentiation) that the firm enjoyed.

Competitive Scope	Broad	Cost Leadership	Differentiation
	Narrow	Focussed Cost Leadership	Focussed Differentiation
		Low Cost	Differentiation

Competitive Advantage

Other important strategic analyses that may be made by the firm is through the Portfolio models, e.g. the BCG model (given below) and Swot analysis.

Market Growth Rate	High	Star	? / Problem Childs
	Low	Cash Cow	Dog
		High	Low

Relative Market Share

The BCG Matrix (developed by Boston Consulting Group)

Product Market Expansion grid (given below) which provides various options used by marketers in order to enter markets and adopt new strategic decisions.

Another Portfolio model the GE Matrix, uses a 3 x 3 analysis with Market attractiveness on the Y axis and competitive strength on the X axis. Like BCG, GE model (General Electric) also uses SBUs (strategic Business Units) for its analyses, but the same are depicted in terms of share of total industry, as opposed to BCG which uses cash-flow in total terms.

Igor ansoff's growth model states that the strategic Planning Gap between expected growth and desired growth can be bridged through intensive growth (more users, more uses, more usage), integrative growth (backward, forward, horizontal), diversification growth. This leads to the Product Market Expansion grid (given below) which provides various options used by marketers in order to enter markets and adopt new strategic decisions.

Market	Existing	Market Penetration	Product Development
	New	Market Development	Diversification
		Existing	New
		Product	

Entry into a new market has two major considerations (other than organisational competence and competition) : Entry and Exit barriers, and Risk vs. Yield pay-off. Entry/Exit barriers could involve items such as Govt. legislation; capital outlay; availability of raw materials and skilled manpower; technology and R & D; infrastructure; trade unions; local public, etc. Risk and yield considerations lead to the classification of business as per the following matrix :

Risk	High	Troubled	Speculative
	Low	Mature	Ideal
		Low	High

Yield

Market analysis and selection :

Marketing environment – Macro and Micro components, and their impact on marketing decisions :

Macro environment refers to the larger societal forces that affect the micro environment and has a general and uniform impact on the industry as a whole :

- Demographic environment : Gender, Age, income, education and occupation, etc.
- Economic : Per capita income, spending patterns, savings and investment, etc.
- Natural : Geographical impacts
- Technological : Modernisation (obsolescence), infrastructure, availability of inputs, etc.
- Political : Stability, Ideology, Law and order, etc.
- Cultural : Patriotism, Values, Norms, Tastes and preferences, etc.
- Legal : Statutory requirements like taxes, pollution control, etc.

Micro environment refers to the actors close to the company that affects its ability to serve its customers :

- Customer Markets : Consumer, Business, Reseller Government and International
- Competitors : Good/Bad, Close/Distant, Product/Brand
- Public : Financial Media, Government, Citizen-action, Local, General, Internal
- Facilitators : Suppliers, Distributors, Bankers, ad-men, consultants/Advisors, Transporters, etc.

Refers to the process of studying how various stimuli affect the decision making process of consumers in choosing a particular brand.

Marketing and Other Stimuli — Buyer choice and decision process — Buyer response

Marketing stimuli includes the marketing mix as created by the marketer. Other stimuli refers to macro environmental factors that affect a persons thinking and taste.

The major forces that work at individual level may be categorised as :

Cultural

- Culture (Broad) : Country specific or racial or religious
- Sub-culture (Ethnic diversities) : Religious sect specific or community specific or geographically isolated groups
- Social Class : Based upon castes and or other economic criteria or profession

Social

- Reference group mainly refers to the associations—primary, secondary, dissociative, aspirational
- Family of orientation and procreation (special case of primary group)
- Roles and Status : Role refers to a set of expected behaviour patterns attributed to a person in a given situation.

Personal

- Age and Life-cycle stage : Family life cycle and family structure
- Occupation : Specific occupational demands
- Economic situation : Income criteria, including liabilities, inherited wealth, borrowing powers
- Lifestyle : Tastes and preferences; AIOD and VALS models
- Personality and Self Concept : Personality refers to the sum total of ways in which an individual reacts and interacts with others

Psychological

- Motivation (Stages)
Perception : A process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment
- Learning : any relatively permanent change in behaviour that occurs as a result of experience
- Beliefs and Attitudes : Attitudes are evaluative statements and judgements concerning objects, people or events based on an individuals beliefs and values

Buyer's decision making process is influenced by a large number of factors that results from selective exposure or attention, selective distortion and selective retention of information that the buyer comes across.

One may also look into the following model proposed by Henry Assael, based upon two major issues :

- a. Consumer's involvement with the purchase
- b. Consumer's perception regarding differences between brands

Degree of differentiation	Significant differences	Variety seeking buying behaviour	Complex buying behaviour
	few/No differences	Habitual buying behaviour	Dissonance reducing buying behaviour
		Low Involvement	High Involvement
Degree of Involvement			

While variety seeking buying behaviour, complex buying behaviour, habitual buying behaviour are common place activities respectively with relation to items like biscuits and jams for variety, real estate, cars and jewellery for complex buying and daily consumables like salt, sugar for habitual buying process; dissonance reducing buying behaviour is a little complex activity. This is where the consumer fails to perceive the difference between two brands and settles for either of the one, but still fails to comprehend whether he has taken the right decision. Here the role of the marketer becomes crucial since the supporting promotional activities help in reducing the so-called dissonance that may result from buying the product.

2.3 Market Segmentation

Market segmentation refers to the process of classifying or segmenting a market into certain uniformity or homogeneity with respect to the consumers in that segment. The consumer may, on the basis of various behavioural characteristics (buying patterns) that are common to that zone or on account of some inherent features, possess such uniformity or homogeneity.

Market segmentation methods may be of following types :

- a. Geographical segmentation
- b. Demographic segmentation
- c. Geo-Demographic segmentation
- d. Buyer behaviour segmentation
- e. Benefit segmentation or USP
- f. Psychographic segmentation or lifestyle methods

Geographical segmentation refers to the process of segmenting a market on the basis of certain physical characteristics or climatic conditions of any particular geographic region, which may have some tangible impact on the taste and preferences of the inhabitants of that region. Examples include consumers' liking towards a particular type of fabric used for garments, or any particular material on account of certain specific climatic uniqueness.

Demographic segmentation is the process by which a marketer classifies a market segment in terms of income, age, religion, gender, education and occupation of any particular group of consumers in that region. departmental stores having divisions for children, men and women follow the above logic. In some cases, a certain product also targets consumers within a particular income bracket or above, thereby making use of demographic segmentation method.

Geo-Demographic segmentation is a method of classifying a group of consumers in terms of their geographical proximity of dwelling units and homogeneity in living standards and behavioural patterns. Residents of large housing societies and industrial townships fall in this category. It has been observed that people with similar standards and living in close proximity are often inclined to imitate each others' lifestyle, thereby making it easier for the marketer to focus on this group exclusively.

Buyer behaviour segmentation is a method, which gives absolute importance to

the demands of the consumer. The behaviour of the buyer regarding various issues like frequency of purchase, quantity of purchase at any given point of time, consumption pattern, etc. gets reflected in the strategy adopted by the marketer while offering a particular product package. Examples include various sizes of a particular product, various packages of a particular product and even the trial offers.

Benefit segmentation mainly utilizes the advantage of USP (Unique Selling Proposition) that a product carries. There are certain products, which carry some exclusive benefits and cannot be used in general terms in all situations. Examples include various winter care range of skin care products, certain exclusive hair treatment products, etc.

Psychographic segmentation is the most complex and abstract of all methods. It is a difficult challenge to a marketer to position a product based on psychographic segmentation. Issues like lifestyle, social background, friend circles, family background, personality, everything gets attention in this particular segmentation technique. This method does not follow any definite rule regarding income limitations or other demographic boundaries. A consumer here is expected to react absolutely in a way he or she visualises himself or herself with respect to a particular product and its consumption.

This, in brief, concludes the discussion on the generally adopted procedures of market segmentation on the basis of certain given characteristics. In reality, one may notice that a marketer adopts a combination of one or two segmentation methods while identifying a suitable position for a brand. This provides the marketer the much needed flexibility in positioning a product and segmenting a market.

2.4 Product Differentiation

Product differentiation, on the other hand, is a process of making a product different from competitive products on some small account, in order to carve in niche in a highly competitive market segment.

2.5 Questions

- (1) What is Marketing mix?
- (2) What are the Major Components of Marketing Mix?

- (3) Describe in detail the concept of market segmentation.
- (4) Distinguish between market segmentation and product differentiation.
- (5) What is Strategic marketing planning?
- (6) What is consumer behaviour?
- (7) What are the major determinants of individual level buying behaviour?
- (8) Give a brief outline of various types of individual level buying behaviour.
- (9) What are the various types of pricing strategies adopted for a service product?

2.6 References

Marketing Management by Kotler and Armstrong, PHI

Marketing Management by Stanton, Etzel and Walker, TMH

Marketing Management by Rajan Saxena, TMH

Marketing Management by Namakumari and Ramaswami, Macmillan

Consumer Behaviour by London, Della and Bitta, TMH

Unit 3 □ Positioning and Differentiating the Market

Structure

- 3.1 Introduction**
- 3.2 Product Life Cycle (PLC)**
- 3.3 New Product Development**
- 3.4 Questions**
- 3.5 References**

3.1 Introduction

Brand Positioning : It refers to the process of establishing or placing a brand in the minds of the consumers on the basis of some identified Attributes (at lowest level), Benefits, or Beliefs and Values (Strongest brands) that the product carries, which differentiates or distinguishes that brand in that product category.

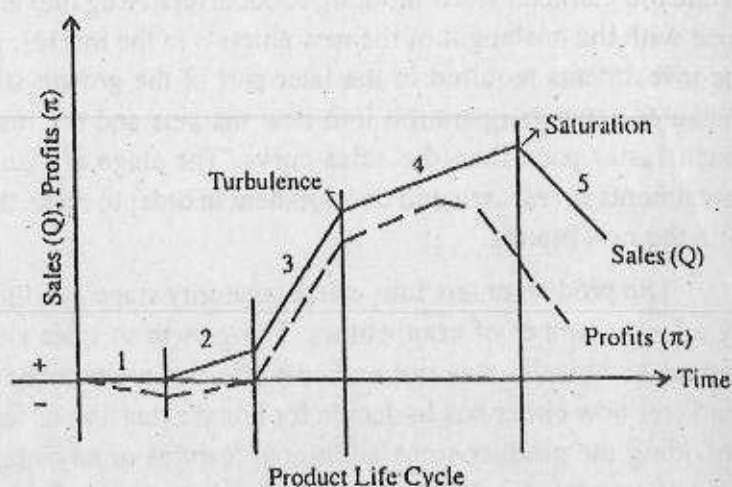
3.2 Product Life Cycle (PLC)

It refers to the various stages in the life of a successful product. A successful product usually passes through five distinct stages in its life, from product planning and development, introduction, growth, maturity to decline. These stages through which a successful product usually travels in course of its entire life span is known as the life cycle of a product. Similar life cycles are also available for brand, product form, or technology.

The stages of PLC are :

1. Product planning and development
2. Introduction / Market pioneering stage
3. Market growth stage
4. Market maturity stage
5. Market decline stage

1. Product planning & development
2. Introduction
3. Growth
4. Maturity
5. Decline



In stage one, that is during product planning and development, the marketer is involved in various sample surveys, test marketing, research and development, etc. with respect to giving the product the final shape. This stage is concerned with heavy investments and with no corresponding sales. Therefore the profit curve moves down till that point when the marketer decides to make an entry into the market and some kind of sales come into effect.

The second stage, which is known as introduction or market pioneering stage, is one of the most important stages in the life of a product. The life span of a product virtually depends on the success of this stage. The marketer here adopts various strategies relating to product, price, outlets and as well as promotion. The buyers or consumers associated with this stage are known as innovators. The marketer here offers the basic product in the market and introduces them in select outlets where the product was test marketed. Regarding pricing, the marketer chooses between market skimming and market penetration pricing depending on the situation. Since the product is new, it requires very heavy promotional thrust in order to make the target audience aware and informed about the availability of the product. During this stage, the marketer starts recovering from the earlier loss, but he only breaks even when the product moves into the market growth stage. The time taken by the product to move from introduction to growth will however depend upon the performance of the product with the innovators and the acceptability of the product.

Once the product become highly acceptable, the sales starts growing at a very fast rate and the buyers like early adopters and early majority come into the picture. The marketer has to reconsider the pricing strategy and offer a more competitive price.

Since the goodwill of the product is well established, it requires less promotional thrust. While the marketer starts thinking about diversifying into ancillary products in order to cope with the onslaught of the new entrants in the market, it must also keep an eye on the investments required in the later part of the growth stage. During this stage, the marketer expands operation into new markets and the profit curve starts rising at a much faster pace than the sales curve. The stage is also characterised with heavy investments in research and development in order to make the product cost competitive with the new brands.

The product enters into market maturity stage in a turbulent weather, dominated by a large number of competitors. The growth in sales slows down. This is because various technically superior and cost effective alternatives come into the market. The marketer now either has to decide for brand extension or for new brand positioning by providing the product some additional features or advantages in order to enable it to fight its competitors. In the absence of such measures the product moves to the point of saturation. The nature of buyers usually associated with this stage belongs to late majority category. The price offers heavy discounts. Heavy promotion characterise this stage in order to ensure an elongated life span for the product. At this point some marketer either decide to introduce a new product in order to gradually phase out the saturated product or decide to provide the product with a fresh life whereby the product again starts growing. In the event where the marketer decide to phase out the product, the product enters the decline stage once it reaches saturation. The marketer here adopts the strategy of divestment and concentrate only on those select markets where the product is still in demand. Promotion is hardly done and the marketer adopts a strategy of whatever he can recover from the market in the price front. The profit curve which was growing till the end of the growth stage, slows down once the product enters the maturity stage and starts downward journey halfway through the maturity stage; being unable to contain the enormous pressure of rising promotional cost associated with the stage.

Stages of Product Life Cycle	Introduction	Core Product	Skimming or Penetration	Selective	Heavy
	Growth	Extend Line	Competitive	Extensive	Scaled down
	Maturity	Renovate	Discount	New Markets	Heavy
	Decline	Phase Out	Flexible	Selective	Minimal
		Product	Price	Place	Promotion
	Marketing Mix Components				

Drawbacks and Limitations of PLC :

The concept of product life cycle has the following limitations :

1. Product life cycle theory considers universality of market for a particular product. This is absurd because a product may exist in different stages of life in different market conditions.
2. The theory also considers universality of brand. A product may have various models and it is not necessary that all the models exist in the same stage of life at any given point of time.

3.3 New Product Development

Factors contributing to new product development are :

- Changing consumer preferences and buying power
- Technological changes
- Government policies
- Excessive competition

The term new product carries various meanings :

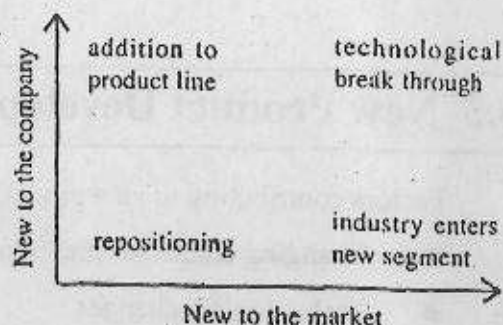
- Totally new product
- Re launched product
- New to the market
- Product in a new packaging
- New usage of existing product
- Product replacement
- Product reformulation

The following new product grid would help in explaining the issue further

No charge	Re-launch	Re-Formulation	Product Replacement
Strengthened	Re-Merchandising	Product Augmentation	Diversification
New	New Usage	Extensive Differentiation	Extensive Diversification
	No Change	Improved	New

Technology

A new product may be an existing product introduced to a new market, or an addition to a company's existing product line, or something new to the world (true new product through R & D) or simply a case of new positioning (new in the perception of the consumer).



3.4 Questions

- (1) What is Product Life Cycle?
- (2) What are the factors that contribute to the development of new products?
- (3) What is brand positioning?
- (4) Describe the various strategies adopted by the marketer at various stages of the life of a successful product.

3.5 References

Marketing Management by Kotler and Armstrong, PHI

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Unit 4 □ Setting the Product and Branding Strategy

Structure

- 4.1 Product Decisions**
- 4.2 Product Line and Product Mix**
- 4.3 Packaging and Branding**
- 4.4 Branding**
- 4.5 Goods and Services**
- 4.6 Pricing**
- 4.7 Major Pricing Strategies**
- 4.8 Resale Price Maintenance**
- 4.9 Questions**
- 4.10 References**

4.1 Product Decisions

Concept of a Product : A need-satisfier; a bundle of attributes. A product can be thought of at five levels :

Core product, Generic product, Actual product, Augmented product, Potential product.

Actual product is generally referred to as Tangible or Formal product. Brand, Style, design, quality, features come into play at this level, and this is where the maximum competition takes place. Taking "information" as an example, we can explain the five Levels as follows : Core product is any source of information that can be accessed; Generic would be TV, radio, news paper; Formal would be star-plus or the statesman, etc.; Augmented (adding value to the offer without material addition) would be free home-delivery of the newspaper, while Potential product is use after consumption, e.g., using newspaper as packaging material after the news has been read.

Products may be broadly classified into either of the two categories as per the following three classifications :

Consumer products and Industrial products; Goods and services; Brands and Commodities

Consumer products are those that are bought by the consumers for personal or domestic use.

They may be categorised as :

- Speciality—bought rarely, with high involvement : an extensive problem-solving buying situation.
- Shopping—bought occasionally, with some involvement : a limited problem-solving buying situation.
- Convenience—bought frequently, with low involvement : a zero problem-solving buying situation (also known as routinised response behaviour). convenience goods are further classified as staple, impulse, and emergency goods.
- Unsought—those products that the consumer is not aware of, or does not need.

Industrial products are those are those purchased by individuals or organisations for further processing or for use in conducting a business.

They include :

- Installation products, i.e., fixed capital times (immovable)
- Accessories, i.e., other equipment used for processing raw material
- Raw materials, which form the main input, are modified, and are visible in the output
- Component parts, which are added unchanged and are visible in the output (e.g., tyres of a car)
- MRO (Maintenance, repairs and Operating) supplies (e.g., cleaning equipment, stores and spares, factory consumables like lubricants, and office consumables like stationery).
- Professional equipments (e.g., Surgical equipment)

4.2 Product Line and Product Max

Homogeneous product items make a product line. Items in one product line either have common raw materials and manufacturing process, or have similar usage, or same

distribution channel, or same target customer group. Either way, it makes sense to have one manager responsible for an entire product line because decisions regarding one item affect the other items in the same product line.

Adding product to a line : The decisions to add or prune a line comes with profitability being attached to such decisions. The line may be stretched downwards or upwards depending upon the situation.

Product mix refers to the entire portfolio that comprise of the assortment of various product lines comprising of a large number of items, and cover length, depth and width of each line.

- Width of the portfolio refers to the number of lines
- Length of the portfolio refers to the number of items in each line
- Depth refers to the variations in each item, in terms of shape, size, colour, fragrance / flavour, etc.

4.3 Packaging and Branding

Packaging, which according to some marketing management theorists is considered as the fifth 'P' of marketing mix in modern marketing, has a significant role; much broader and dynamic than that what it used to have in the traditional days of marketing. Packaging, which was traditionally considered to be responsible for protecting or acting as container to the product, now finds its role changed to a large extent in the consumer oriented environment. In attaining this objective, packaging now contributes towards adding convenience to a product, protection in ensuring better use-value for a product from consumer point of view, and providing vital information to a consumer. Packaging in this environment also tries to increase the sales appeal of a product by catering to the aesthetics associated with the product. If one looks into the various examples packaging, one may observe that today protection happens to be the primary objective only in case of shipment packages and for industrial products. On the other hand, convenience and appearance is a priority for low value consumer durables as well as consumer non-durables. To this extent, it is possible to make a clear distinction between packing and packaging. Packaging helps in

- Creating consumer segments
- Providing a fresh life to a matured product
- In shouldering substantial responsibility of promotion

In this connection we may consider some important factors or issues, which have some impact on packaging decisions with respect to a product.

- Material to be used for the purpose (nature of product).
- Economy.
- Target consumer segment.
- Convenience
- Rejuvenating a brand.
- Competitors' packaging decision.
- Merchandising and promotion.
- Protection : Protection, which was the primary objective of packaging during the days of traditional marketing management, is limited in terms of priority only to ensuring safety for products in transit, i.e., for shipment packages or transit packages, and the term 'packing' is used to denote such protective covering. A combined covering (safety, as well as aesthetics / convenience / information) can be used to package low value consumer items. Industrial products, which adhere to specifications and have no emotional appeal, may be packed only for safety, without attendant packaging.

4.4 Branding

A brand distinguishes a company's offer from competing products. Undifferentiated products would be commodities, not requiring separate identification. To that extent, a brand is a statement or assurance of certain qualities, attributes or features, as guaranteed by the company. This gives rise to concepts of brand equity / brand valuation and brand loyalty.

The term branding refers to the method of naming a product. In fact, branding is also an outcome of modern marketing concept, where the market experiences a wide range of products, in-keeping with the needs and wants of the consumer, and therefore, it becomes necessary on the part of the marketer to adopt certain measures so as to differentiate one's own item from that of others in the market place. In doing so, apart from the exercise of giving the product a unique identity, naming it also becomes necessary. This practice of naming or christening a product is known as branding from marketer point of view. Usually a brand name carries a legal protection and therefore, a

brand name is also a trademark in legal sense of the term.

There are various methods that a marketer adopts while naming a product.

- Family branding
- Individual branding
- Multiple branding
- Middleman's branding

There are various methods that a marketer adopts while naming a product.

A marketer may use the technique of family branding to name its products or even any future products. Examples include the process of providing one single identity to the entire range of product items, like in case of Keo-Karpin range of products, Dettol range of items.

One may also use the method of individual branding technique, whereby each individual product item, which may be homogeneous in nature, belong to the same product line but may have different and separate identities or brand names. Toilet soap range of Hindustan lever follow this method.

Multiple branding is another interesting technique followed by marketers by which the same product commands two different brand names in two different market conditions. This is a practice where the markets are different in terms of various characteristics relating to its composition. Issues like culture, religion, social values, language and other semantic characteristics of a particular market, as also legal considerations, may affect such a decision. E.g. the Zen model of Suzuki is marketed under the brand name Alto in Europe while Esteem in India is known as Swift in USA. Santro is sold as Atoş by Dodge in U.S.A. Tata Indica is sold as City Rover in U.K. and as Solo, Style, Sprite in other parts of Europe. This gives us an idea that products may be marketed with different brand names and with the same rate of success in different markets in order to respect differences in market sentiments and their respective culture.

Finally, middleman's branding is the method that is adopted by various marketers who do not want to take the pains of manufacturing or producing the product. They usually undertake the post-production activities only. Middlemen, who have sufficient financial strength and marketing expertise, outsource finished goods from producers and market them. Khadi and Village Industries Commission, Manjusha are perfect examples in this regard. Even in some companies and multinationals, where decisions are taken in favour of buying a product from a local franchisee rather than manufacturing it in-house, it is middleman's branding to that effect. (e.g. Bata shoes, Colgate toothpaste).

Branding techniques have undergone a series of development and brand expansion is one of the latest techniques of brand management. Marketers use the equity of a successful to its full advantage by extending a brand by way of lending the name of an established brand to the new product coming out from the marketer's portfolio. In this connection the marketer should be very careful about the image of the brand from which the name is being borrowed. This technique is in fact an advanced form of family branding. To conclude, one must say that although the methods discussed above are in general the major branding techniques, the marketer should not limit himself within this framework and may look for various combinations beyond this.

Selecting a good brand name is not a very easy job. This is because of the fact that the brand name is very closely associated with product identity as well as consumer's predisposition. A good brand name is an outcome of minute and elaborate consideration of a large number of factors or issues.

The marketer at the very beginning should make it clear that the brand name reflects the product characteristics. For example, products may derive names such as 'Beautility', that reflect benefits or 'Minuterice' or 'Dustbuster' that signifies use and action.

The marketer should give due attention to the fact that the brand name is easy to spell, remember, recall and pronounce. Simple, short and one syllable names like 'Tide' and 'Surf' may be taken as examples in this context.

A brand name should be distinctive and it should also have a separate identity. At the same time, a brand should be adaptable to new products that may be added to the product line. Names which do not reflect some specific purpose help in this process. It becomes very easy for 'Kelloggs', 'Lipton' or even 'Ford' to add new items to their product line. On the other hand, the name 'Nescafe' will find it very tough to add any further drinking beverage, except that of coffee range, under its brand name. A brand name must also be capable of being registered and legally protected under the various trademark and patents acts as applicable under the circumstances.

4.5 Goods and Services

Most market offers are a combination of goods and services. It is extremely rare that any offer is a pure good or pure service. Services, however, have distinguishing characteristics of intangibility, inseparability, inconsistency (variability), and inventory effect (perishability; cannot be stored). Such distinctions make offers, where service is

major component (e.g., healthcare, repairs and maintenance work, etc.) visibly and definitely different from marketing of goods. The marketing mix in such cases require special attention, with addition of People, Process and Physical evidence to the traditional 4 Ps. More important, service management requires both Demand management and Supply management to eliminate / reduce opportunity costs, while keeping other costs under control.

4.6 Pricing

Any product in the market, whether tangible or intangible, signifies some kind of value or utility being attached to it and is usually marketed with an objective to provide this utility or value to the target consumer. This value or utility, when translated in monetary terms, become a price. Therefore the method by which the value of a particular product is translated in monetary terms is known as pricing. However, in this context, one must remember that the value or utility of a product is not the sole determinant of the product price. It is simply because of the fact that all the homogeneous range of product items carrying similar use value would then have been made available at one and uniform price in the market. Therefore, the factors which affect the pricing decision may be broadly divided into two major categories :

- (a) Internal factors
- (b) External factors

Internal factors refer to those factors which are under the control of the marketer.

This includes, firstly, the basic objective of the firm. A firm which may be a profit maximiser would have a different approach towards pricing the products, as against that adopted by a firm which operates for social cause.

Price elasticity of demand is another issue, which affects the pricing decision. Whether a product is elastic or inelastic will certainly affect the strategy of a firm towards bringing in any change in the price of the product.

Another very important factor in this context is the manufacturing policy adopted by the firm. It is important to note that the final price of a product depends to a large extent on the cost of manufacturing the product, which again is related to the scale of operations as well as choice of techniques adopted by the firm. Economies of scale, and a choice between labour intensive and capital intensive technology (taking into account whether the firm is operating in an environment of cheap labour) affects pricing decision.

Finally the stage in the life cycle of a product carries enormous significance in terms of pricing strategy. In other words, this refers to the strategies relating to the changes in price with the change in the life cycle of a product. It is not static and universal for all stages, and therefore the pricing strategy responds to the requirements of the situation with respect to a particular stage in life.

The external factors start with understanding the demographic parameters of the market in which the product is being offered. In a consumer oriented environment price of product takes into account the purchasing power or the needs and requirements of the consumer. Therefore, the demographic parameters relating to consumers income and cultural factors gain importance in this context.

Consumer buying pattern is another very important external factor, which is beyond the control of the firm. In a consumer-oriented environment, a firm has no other option but to respond to the requirements of the consumer. How, where, when, and in what quantity the consumer wants to buy gets reflected in the price.

Formation of price cartel is another very important factor, which force the marketer towards adopting a strategy which is a unanimous outcome of the cartel members. The marketer has very little to do but to accept the conditions in this context.

Competitor's pricing strategy is also another area where the marketer needs to pay attention while determining the price of the product. A choice between price-based competition and non-price-based competition is definitely an outcome of competitor's pricing strategy and marketer's objective.

Finally, government control is an issue, which no marketer can ignore. If a particular industry is under price control, or the changes in price is always subject to government clearances and approvals, independence with respect to pricing strategy is substantially curtailed. Industries which manufacture life saving drugs or supply essential commodities fall under this category.

At the end, giving due respect to all the above mentioned factors, one cannot ignore that social accountability is an important issue for all business organisations and pricing being an important activity cannot evade social responsibility associated with it. A business organisation or a firm should, therefore, consider all the above factors with due respect and importance before taking any pricing decision. It is needless to say that pricing being an important component of marketing-mix, has enormous importance in encouraging consumer's purchase decision from the point of view of marketer.

4.7 Major Pricing Strategies

A. Cost Based Pricing :

Cost based methods of pricing a product is a very traditional approach as far as marketing management is concerned. Ascertaining the cost first and then applying a profit margin to arrive at the final selling price, is the usual approach under cost-based strategies. (Consumer oriented marketing management, however, relies upon the theory of making a market survey towards determining the purchasing power of consumer and then arriving at the final sale price). Cost based methods can be discussed in detail under the following two approaches :

1. Cost-plus or mark-up pricing
2. Marginal cost pricing

1. Cost-plus or mark-up pricing :

Cost-plus or mark-up pricing is the method which ascertains the unit cost of production, and then applies an arbitrary mark-up as a percentage of cost to arrive at the final selling price. The mark-up percentage takes into account factors such as bank interest rate and / or rate of inflation, operating cycle, and business risk. Quotations For major projects (ship building or construction, etc.) could be on "cost-plus" basis, where the client bears the material costs on actuals (or provides the materials) and the company charges a percentage of that as "Supervisory charges to cover overheads and profits. If the company bears the cost of labour, operating supplies, etc., the quotation would include escalation clauses for labour (based on minimum wage, as statutorily specified) or petrols-oils-lubricants, etc. If materials are provided by the company, then there could be escalation clauses for steel, cement, etc. As the prices of these items go up, the total price of the contract would increase by a certain pre-set percentage on the basis of the quantum of these inputs in the total project.

2. Marginal cost pricing : Marginal cost pricing or variable cost pricing is the method by which the marketer recovers the variable cost of producing per unit of product. Sometimes he may also recover a part of the profit associated with it. This method is very interesting because of the simple reason the fixed cost associated with the production of product is either shared or totally borne by the other premium brands marketed by the marketer. This method finds application in present day circumstances where the marketer tries to tap the lower end of the market segment along with the premium segments, or where there is high price elasticity of demand.

B. Demand Based Pricing :

Demand based methods are based upon the actual demand for the product, along with the purchasing power of the consumer. This approach is a standardised way of pricing products in consumer oriented environment, where the consumers usually have some say in pricing of products. Demand based pricing may be grouped into four categories :

1. 'What the traffic can bear' method
 2. Market skimming pricing
 3. Market penetration pricing
 4. Monopolistic price
1. 'What the traffic can bear' method :

This method is a perfect example of demand based pricing strategy. The prices vary according to the consumer's ability to pay, and also the extent to which the product stands "indispensable" to the target consumer. The demand-supply gap is also another reason, which gives rise to such a situation. This method is usually practiced by exporters, and to some extent in the unorganised market. Auction price is the best example of this method.

2. Market skimming pricing :

Market skimming pricing is adopted with an objective to skim the early profit available in the market on account of the huge demand or craze the product commands on being introduced in the market. This method usually maintains an abnormally high profit margin in the introductory stage of the life of the product. The reason behind such an approach is that the marketer aims to make up for the future fall in profit or market share due to the arrival of competitors in the market segment. This method can be practiced for products which are technically advanced or superior, virtually have no substitutes, and brand loyalty is not expected.

3. Market penetration pricing :

This is the method usually adopted in a situation where trial is expected to lead to adoption with high repeat/replacement purchase and high brand loyalty, or by a new marketer who is trying to enter an already established market segment. Therefore, the marketer in such a situation opts for price-based competition and tries to penetrate into the market share of the leader by maintaining a lower price line in comparison to that of the leaders.

4. Monopolistic price :

Here the price is set by a company at its total and absolute discretion. This method suggests that two different markets having two separate price elasticity of demand for the same product will command two different prices, subject to the condition that there exists no communication between the two markets. Examples of such pricing could be railways, electricity supply companies, etc.

C. Competition Based Pricing :

These pricing methods are based upon the pattern of competition faced by the marketer in marketing his product. These methods can be subdivided into three categories:

1. Going rate pricing
2. Premium pricing
3. Discount pricing

Going rate pricing :

Going rate pricing is the method adopted by the marketers who adopt non-price route of competition, or in other words, fight on the quality or convenience front. Products in the printing industry, or industries which experience price cartels, follow this kind of a strategy.

Premium pricing :

Premium pricing is the method adopted by the marketer who aims to place or position his products in the premium segment of the market. This is out of the effort of avoiding the popular segments and thereby trying to place the product for a selective group of consumers, in order to satisfy some personality characteristics of the target group. Luxury goods and goods which project satisfaction of esteem-needs come under this method.

Discount pricing :

Discount pricing, or pricing below the competition, is a very popular concept. It comes with a variety of objectives. It may be to boost sales during a particular time period, it may be to compete with a new competitor in the market, it may be to maintain market share in the competitive environment or it may also be towards managing the life-cycle. Heavy price discounts are offered on the basic price of the product to achieve the above mentioned objectives.

D. Perceived Value Pricing :

Perceived value pricing helps in taking decisions relating to changes in the ongoing price of a product. The marketer tries to measure the perceptual value or the relative

importance of the product with respect to a target consumer. This is made on the basis of availability of substitutes, qualitative superiority of the product, company's own goodwill, frequency of use and the basic characteristic of the product. The marketer finds it safe to increase prices in the situation where the perceived value of the product or tolerance factor for consumers is very high. This method is usually practiced in monopolistic and oligopolistic situations.

E. Psychological Pricing :

Psychological pricing strategy believes in the fact that products priced in odd values sell more than those priced in even values or whole numbers. Example could be Bata pricing its shoes at Rs. 299.95, and not Rs. 300.00. Although this concept may sound to some extent unrealistic, marketing theorists argue the marketers aim to convince the customers regarding the intrinsic value or real worth of the product. In general, it addresses the threshold limit of consumer's purchasing power, and more importantly, reflects honesty on the part of the marketer.

F. Inflationary Pricing :

Products or projects, which takes a fairly long time to come to a final shape, are subject to price rises in the economy on account of inflation or rise in the procurement price of raw material while the work is in progress. Such products or projects carry a clause for price escalation for the final settlement price of the product.

The pricing strategies discussed above relates to both consumer goods and industrial goods. Intangible products i.e., services, as also social marketing products, also bear a price tag. Prices or pricing strategy for such items depend on factors like consumers' requirements, cost at the end of the consumer, the difference in quality for service, experience and specialization in providing service, its uniqueness and value addition. One must remember that with society undergoing rapid changes and the growing importance of service sector, pricing of services carry enormous significance. Prices for societally beneficial items and activities (e.g. polio vaccination) are not always obvious to the consumer. The cost in this case is borne by the Govt., and is funded from tax-payers' money.

4.8 Resale Price Maintenance

Resale price maintenance refers to the practice adopted by the marketer towards specifying the final price at which the product should be sold to the final consumer. It is with an objective whereby manufacturers want to implement control over the prices at

which the retailer resell their products. Apart from control, the practice of resale price maintenance also instills some sense of confidence among the consumers and improve the image of the brand because huge disparity among the prices of the product of same brand is not experienced by the consumer when buying from different retailers. Resale price maintenance may be implemented in any of the three forms :

- (a) A suggestive maximum price.
- (b) A suggestive minimum price.
- (c) A suggestive fixed price.

In Indian context, the practice of suggesting minimum price is not normally followed. The other two methods, i.e. suggesting maximum price and specifying fixed price is practiced in common for various products. Products usually distributed through government distribution mechanism are sold at fixed price, while other products often carry a M.R.P. tag, which could be Maximum Retail Price or Maximum Recommended Price, depending on the degree of control a manufacturer exerts on its channel members.

4.9 Questions

- 1. What is Branding?
- 2. Describe in detail the various types of branding techniques.
- 3. What are the various factors that influence pricing decisions?
- 4. What is resale price maintenance?
- 5. Distinguish between Market Skimming pricing and penetration pricing.
- 6. What is Psychological pricing?

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Unit 5 □ Designing and Managing Marketing Channels

Structure

- 5.0 Introduction**
- 5.1 Public and Private Distribution Systems**
- 5.2 Channel Management Decisions**
- 5.3 Types and Patterns**
- 5.4 Promotion Decisions**
- 5.5 Communication process**
- 5.6 Difference between Advertisement and Publicity**
- 5.7 Advertisement Budget Methods**
- 5.8 Copy Designing and Testing**
- 5.9 Media Selection**
- 5.10 Media Scheduling**
- 5.11 Advertisement Effectiveness**
- 5.12 Sales Organisation**
- 5.13 Functions and Responsibilities of a Sales Manager**
- 5.14 Sales Organization Structures**
- 5.15 Personal Selling**
- 5.16 Promotion**
- 5.17 Consumer Promotion Tools**
- 5.18 Business of Trade Promotion Tools.**
- 5.19 Questions**
- 5.20 References**

5.0 Introduction

Distribution Channels and Physical Distribution Decisions : Nature, functions and types of distribution channels, Intermediaries, Channel management decisions, Retailing and Wholesaling.

5.1 Public and Private Distribution Systems

The concept distribution explains the process through which a product travels from a marketers point to the hands of the user, i.e. the consumer. In Indian scenario, as per the economic policy adopted in the first five-year plan, harmonious coexistence of both state owned enterprises and enterprises owned by private entrepreneurs was the framework within which the system operated. In such a situation, Government of India thought it necessary to pronounce some commodities through promulgation of Essential Commodities Act in 1955. This was made with an aim towards ensuring control in all aspects relating to storage, transport, distribution, allocation and price relating to the products spelled out under the Act. In fact, the concept is in line with the preamble of the Indian constitution, which aims to achieve equitable distribution of resources and their availability at a fair price. Therefore, from above analysis, it becomes clear that in every aspect of socio-economic structure, India demonstrates the existence of two parallel systems, and in keeping with the tradition, there exists a very well defined public distribution network in India. Public distribution, or in other words the state owned distribution mechanism, actually looks after the distribution relating to some products at the primary level and for certain products both at primary and secondary level. It is in view with this activity that State Trading Corporation, Food Corporation of India, and various other warehouses were formed towards ensuring state control in the system. Essential commodities under the Essential Commodities Act are controlled by and largely distributed through these agencies at primary level, while independent dealers and retailers operate in secondary level. Resale price maintenance is followed for certain products like petroleum, drugs, etc. On the other hand, the distribution mechanism also has a separate arm, which aims to provide essential food items to the people at large at subsidised rates and through controlled allocation process. This mechanism operates through various ration shops and consumers' cooperatives. This is in brief a complete picture relating to how public distribution system operates in India.

Distribution mechanism for any product is an important component of the entire marketing strategy relating to that product. It is more important in case of private sector,

where fierce competition between products in some industry characterize the environment. Therefore, one cannot generalise and make a conclusive statement that the entire private sector follows one and unique distribution mechanism. However, there exists some legal framework to control illegal activities in the distribution system in private sector, in order to create perfect and fair competition. Various acts like The Company's Act, 1956, Monopolies and Restrictive Trade Practices Act, 1969 and Essential Commodities Act, 1955 form the basic infrastructure within which the distribution mechanism works. Section 294 of Company's Act asks for approval in general meeting and in some cases, even the approval of the central government towards appointing a sole selling agent. The act also clarifies that such an appointment cannot be made for a period exceeding five years at a time. Various restrictive and preventive trade practices adopted by various marketers to restrict the entry of any goods or services would amount to restrictive and illegal trade practices under the MRTP Act, 1969. Within this above-mentioned framework, distribution mechanism in private sector follow either a direct channel, an indirect channel or a hybrid channel (combination of direct and indirect) in addition to modern networking and application of information technology in the process of distribution. Consumer non-durables, as a matter of practice, is usually distributed through indirect channel comprising of wholesaler-retailer network or through various agents. Consumer durables, industrial items and services are distributed through direct or hybrid networks. Sometimes, industrial agents exist specially for distribution of industrial products. This is in brief a small picture of how private distribution mechanism operates in India.

Distribution can be either through intensive distribution, selective distribution or exclusive distribution.

Intermediaries could consist of Company's sales force, Manufacturer's agency, Industrial distributions, independent traders, or combination of same.

Functions or Value addition made by channel members include

Information, Promotion, Contact, Matching, Negotiation, Delivery, Installation, Services, etc.

5.2 Channel Management Decisions

While designing an effective distribution system, a marketer should consider a large number of factors before arriving at an optimum distribution mix relating to the product.

At the very beginning the basic objective of distribution and the functions involved in the process should be taken care of. The objectives include whether the organization aims to reach each and every corner of the society or market and what are the activities involved in the process. In fact the activities should be directly proportional to the volume, span of network, and the number of segments the marketer wants to reach.

The nature and characteristic of the product is an important factor in decisions relating to channel design. There should be a proper match between the two. Mass use items should be separately considered as against products which are of use by a selective group of consumers.

A product should therefore be effectively linked with the channel design because distribution is a part of the package offered to the consumers.

Marketers should also pay attention towards the legal aspect of the distribution. Products falling under the controlled category and various strategies adopted by the marketer should be subject to the prevailing legal environment.

Evaluation of competitors channel policy comes next. It is very common in marketing world to formulate a distribution mechanism after evaluating that of the competitor, in order to differentiate a product to give it an exclusive image or even to create a separate niche.

Availability of resource or finances also happens to be an important factor in designing a distribution channel. Whether a company goes for a company owned outlet or delegates the responsibility of distribution to the middlemen depends to a large extent on the nature of funds and overheads an organization would be able to recover from the product.

Channel selection also depends on the nature of product and the pattern of control the marketer intends to impose upon the distribution network.

Evaluation of the above-mentioned factors or variables may help the marketer in designing an effective distribution mix, as a part of marketing-mix strategy.

5.3 Types and Patterns

Distribution mechanism involves the existence of middlemen in between the marketer and the consumer in some cases, while in some cases the marketer directly interacts with the consumer, or sometimes the marketer uses a combination of both the strategies. In marketing management, distribution channels are of three types—direct,

indirect and hybrid according to the aforesaid concepts. However, with technological enhancement, the concept of networking and information technology based distribution is also considered as a means to distribute commodities.

An indirect channel involves the existence of various categories of middlemen, namely wholesaler, retailer and agent. The level of channel depends upon the number and types of middlemen involved in the process. In this category, the channel may be one level, two level, three level or multiple level. Coordinating the channel members and ensuring control on them is the major task. Consumer non-durables and in some cases, some low unit-price durables, e.g. electric iron, mixer-grinders, etc. are marketed through this channel mechanism. It is a low cost option.

Direct channel involves setting up of direct, company owned outlets or exclusive franchisees for the products marketed. This is known as zero channel distribution. It is a very high cost option, especially if one aims to market low unit-price durables through a direct network. However, a direct network helps in enjoying consumer's confidence and maintaining control on distribution. It also helps in collecting important market feedback from the market. Products with selective demand and most industrial goods fall under this category.

Some organizations try to adopt a unique hybrid system, which incorporates the use of both direct and indirect mechanism. This aims to provide the consumers a choice regarding their decision to buy from outlets which deal exclusively with a particular brand, or compare the brand against other brands available in general outlet's before coming to a purchase decision.

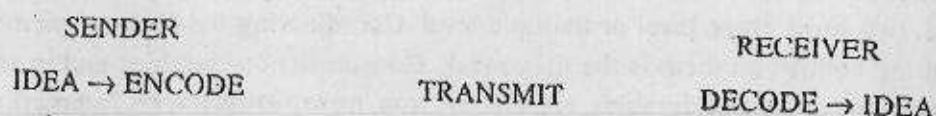
In addition to this marketers also resort to Vertical Marketing Systems (VMS) and Horizontal Marketing Systems (HMS). VMS helps marketers to enjoy exclusivity in distribution of their products by entering into exclusive franchisee agreements. HMS on the other hand provide marketers advantage of entering into agreements with related complementary brands or products, and distribute them from the same outlet. For example, the tie ups between C3 and Kookie Jar, or Arambagh and Food Bazaar.

5.4 Promotion Decisions

Communication process; Promotion mix-Advertisement, publicity and public relations; Advertisement vs. publicity; Determining Advertisement budget; Copy designing and testing; Media selection; Media scheduling; Advertisement effectiveness; Personal selling—sales organisation—strategies and planning; sales promotion—tools and techniques.

5.5 Communication Process

The process of communication is the transfer of a thought or concept from one person or entity to another, without any distortion. The process of this transmission is effected through encoding (words, tone, gesture, expression, etc.)—transmission (speech, writing, etc.)—decoding, as depicted below :



The sender and receiver's ideas may not tally for

- (i) fault or difference in encoding/decoding (e.g. linguistic or semantic differences)
- (ii) disturbance or "noise" in transmission (e.g. illegible handwriting).

This can usually be rectified through a "feedback" system, where the idea is returned by receiver to sender for verification or cross-check, which is generally not possible in mass (one-to-many) communication.

Purpose of communication

Communication is usually effected for information or to create awareness, to arouse feelings i.e., emotive appeal, and to elicit response or action. There are various models to explain these, the simplest being the AIDA model (Awareness, Interest, Desire, Action). These models are categorized as Response Hierarchy Models or Tri-component Attitude Models, depicting three stages—Cognitive, Affective, Conative (or Behavioural), or simply, "See, Feel, Do".

Communication mix

Total corporate communication (Integrated Marketing Communication) comprises of different elements, broadly categorised under Advertising, Sales Promotion, Personal selling, Public Relations and Publicity.

5.6 Difference between Advertisement and Publicity

The term advertising refers to any form of paid, non-personal presentation and promotion of idea, goods or services by an identified sponsor. Publicity on the other hand refers to any form of non-paid, commercially significant news or editorial comment about any idea, product or an institution having an unidentified sponsor.

In case of an advertisement, the message is entirely related to the product. Publicity on the other hand focuses upon public welfare.

The message of an advertisement being biased towards the positive aspects of a product makes the message less credible and more subjective, concentrating on only one particular issue. Publicity on the other hand, enjoys more freedom in this respect because the message has got nothing to do with the objective or goal of the organization entrusted with the job of delivering the message. It therefore makes the message more credible and objective.

Finally, in case of an advertisement, the marketer ensures full or maximum control over the theme of the message, unlike that of the publicity, where the control hardly exists.

In this context one should keep in mind the 5 M's of Advertisement. They are Message, Media, Mission, Money and Measurement.

5.7 Advertisement Budget Methods

- Affordability (what the company can spare to spend)
- Percentage of Sales (advertising lags sales)
- Competitive parity (comparable to what others are spending)
- Objective and Task (depending on what is to be achieved through advertising).

5.8 Copy Designing and Testing

The print copy comprises of Headline, Sub-headline, Body copy, Slogan, Logo type and Brand name.

The pyramid looks as follows :

- | | | | |
|----|-------------|---|---------------------|
| 1. | Attention | : | Headline |
| 2. | Interest | : | Sub-head |
| 3. | Credibility | : | Body Copy |
| 4. | Desire | : | Slogan |
| 5. | Action | : | Contact Information |

5.9 Media Selection

Selection of an appropriate media depends upon a large number of factors, such as

Reach of the media with regard to target audience

Matching product distribution with coverage

Adapt media vehicles to advertisement strategies

Combat advertisements of competitors

Take account of advertisement budget

5.10 Media Scheduling

The following are various types of scheduling techniques :

Seasonal : Product and season specific

Pulsation : Several short, intensive advertisement bursts during the year

Flighting : Ganging of advertisements in a given media vehicle for a relatively short time period

5.11 Advertisement Effectiveness

This is usually determined through the method of :

- Pre-testing
- Concurrent testing
- Post-testing

Common Pre-testing methods are Checklists, Opinion Tests, Eye Camera studies also known as papillary response test, Attitude studies, Dummy magazine tests, Portfolio tests, Inquiry tests.

Concurrent testing techniques are : Coincidental surveys, Consumer diaries, Mechanical devices, Traffic counts.

Post-testing methods include Recognition tests, Recall tests, Awareness tests, Sales result tests.

5.12 Sales Organisation

A sales organisation usually exists whenever an organisation is given shape and it markets any product. The job is therefore to reorganise and make it more effective. The task involves those relating to defining objectives in the very beginning. Short run as well as long run goals with relation to sales must be made clear. The second major area relates to separating and identifying the necessary activities. This relates to the volume of operation, nature of market, the nature of product and also the number of products. Grouping these activities into a definite position come next. Depending upon various factors, activities relating to various products can be grouped under one head or it can also be having separate functional heads for separate products, if it so requires. Assigning personnel into these positions is the next most important task. Selecting and recruiting specialised people in accordance with the requirements of the job also stand important with relation to the achievement of selling objective. Monitoring, controlling and coordinating this formal structure of human relations is the last step in the process. Good job descriptions, clearly defined authorities, unambiguous commands, enhance the element of coordination and reduce conflicts in organisational process.

An ideally organised sales department aims to reduce duplication of effort and maximise cooperation. In fact, it aims to increase productivity of personal salesmen, both in qualitative and quantitative terms. In the very beginning, a sales organisation aims to develop specialists and decentralise the responsibilities related with effective functioning of a sales department.

In fact, division of labour and job specialisation is the theory that guides the primary objective of all organisational structure. As tasks grow in number and complexity, it is more logical that they be broken down into manageable units and assigned to specialised personnel. This helps in creating an environment that grooms and nurtures specialists, who may prove valuable in the long run.

A sales organisation assures the activities being performed in detail. The presence of an organisation with a definite structure and well-defined positions, clearly gives an image that the activities relating to sales are being taken care of by appropriate people within an organisation. An organisation aims to achieve coordination or balance. Motivating individuals to work together is therefore important in achieving coordination. Individual goals are to be reconciled with organisational goals. Group meeting, training programs, proper guidance and two-way communication are some of the tools to achieve this objective.

An organisation also aims to define the authority structure. Line, staff and functional authorities should be clearly spelt out before giving or assigning some responsibility to any personnel.

It also aims toward economising executive time. An organisation structure helps a sales manager in having more room for utilising his efforts towards coordinating various suggestions given to him by personnel in staff category or even by subordinates. Proper delegation and decentralisation of authority helps in this process, especially in case of a complex and multi-product, multi-unit marketing department.

A sales organisation, while achieving the above objectives, also aims to achieve the qualitative aspects relating to a selling job. Customer services and customer-marketer relationship built on strong foundation helps a marketer towards gaining sufficient ground with respect to launch or introduction of new products in future. It even helps the sales manager in identifying areas which require major attention to bring about a well-coordinated and well-managed sales force, which an organisation aims to achieve.

5.13 Functions and Responsibilities of a Sales Manager

The requirements of a sales executive's job differ from one organisation to another organisation. However, certain functions and responsibilities are quite uniform in nature, irrespective of organisations, and therefore one can easily generalise these duties and responsibilities as the basic functions of a sales manager's job. The primary objective is to secure maximum volume of sales along with a long-standing relationship with consumers through effective development and execution of sales program.

In order to achieve the above objective, a sales manager is expected to be primarily concerned with the sales program. Establishing short range and long-range sales goals is the major task. The task also involves reviewing and approving sales policies, strategies, pricing policies in accordance with the long run profitability and also the short-range operations of the company.

The second major function of the sales manager is to organise the selling task. The sales manager is the leader both to his immediate subordinates and to all levels of the sales organisation. As a leader he is required to achieve a sound basis of developing sales personnel and towards ensuring that rewards are in line with performance and responsibilities. Managing the sales force come next, which includes identifying the sources of recruitment of sales personnel, designing effective sales training programs toward achieving high productivity, and at the same time playing an effective role in motivating sales personnel.

The sales manager is also involved in planning and designing sales territories, allocation of territories and setting personal sales targets on a daily basis.

He must also introduce a system that controls wastage and inefficiency and directs the sales efforts toward most profitable channels.

A sales manager is also responsible for developing an effective working relationship with other departmental heads, so as to translate various opportunities into an appropriate course of action.

Apart from maintaining internal relationships, it become mandatory on the part sales executives to maintain close relationship with the key accounts in keeping with the long run profitability of the organisation. The sales manager must also establish a system of communication that helps in keeping the entire organisation informed and updated with the goals, policies, results and problems of sales department.

The executives must also attend to the inflow of information related to the development of the selling job within the industry. An effective communication system also helps in reducing duplication of efforts, ambiguous commands and also in reducing confusion among subordinates.

Finally, it is the job of the sales manager to ensure control in tune with the budgeted targets and evaluate them periodically towards taking various necessary corrective actions as and when required.

While carrying out these activities, he must see that the coordination exists in spite of appropriate decentralisation and delegation of job responsibilities.

The above-mentioned functions may be summed up as some of the key functions and responsibilities of a sales manager, although the volume and complexity of the job may differ from case to case.

5.14 Sales Organizational Structures

They are usually of four types :

A line sales organisation.

A line and staff sales organisation.

A functional sales organisation.

A committee sales organisation.

Line sales organisation :

Line sales organisation is the oldest and simplest sales organisational structure. It is used in small organisations having a small number of staff strength, covering a limited geographical area or selling a narrow product line. The chain of command run from top executives down through subordinates, with each one responsible to only one person in the preceding level of command. Responsibility is fixed and people placed in those positions act independently and separately.

In such kind of companies, the executive is often preoccupied with active supervision and seldom finds time to plan and work with other executives. However, the simplicity of such organisational structure is the major reason why it is used. Problems relating to discipline and control are minimum and executives develop close relationships with sales person and the administrative expenses are also low. A line sales organisation depends heavily on the top executive for framing and organising various activities relating to the selling job, which are diverse in nature. Therefore, once an organisation grows in volume and size, line sales organisation become an unrealistic proposition.

Line and staff sales organisation :

Line and staff sales department is often found in large and medium sized organisations, employing a substantially large number of sales personnel and selling a diversified product line over a wide geographic network. In contrast to the line organisation, the line and staff organisation provides the top executive with a group of specialists covering areas like dealer-distributor relation, sales analysis, planning, promotion, training, recruiting, traffic and warehousing and similar other fields. This helps to conserve energy and time at the end of the sales executive and relieves him from routine day to day work, allowing him to concentrate on broader policy matters. The staff executives do not have the power or authority to issue orders or directives. They merely recommend, counsel, suggest and guide. The advantage of such structure mainly relates to those of specialisation and economising executive time. However, close control over line-staff relationship is essential. In fact, such structure also widens the gap between problem recognition and remedial action.

Functional sales organisation :

Very few organisations follow functional structure. This structure utilises the principle of specialisation in full and subjects the subordinates to multiple commands. This structure is supposed to improve the performance and effectiveness, reduce time lag and make the sales force more effective. However, again this peculiar organisation structure sometimes give rise to confusion and ambiguities among the sales force, thereby making coordination a very important job towards making such a structure effective and operational.

Committee sales organisation :

A committee sales organisation, in fact, is an organisation of the executive group for planning and policy making, while leaving actual operation to individual executives. Many firms use this technique of making separate committees responsible for separate selling functions in order to draw expertise from various ends within an organisation. This helps in determining various problems, which the selling department would have overlooked. Committees also help in bringing out solutions to these problems mainly due to the diverse characteristics that comprise each committee. A committee form is, however, a very complex and less popular concept in modern marketing environment, and likely to be time consuming.

5.15 Personal Selling

The steps involved in personal selling process are as follows :

- Prospecting and qualifying
- Pre-approach
- Approach
- presentation and demonstration
- Handling objections
- Closing
- Follow up

5.16 Promotion

The term promotion in marketing management comprises of four basic components: advertising, publicity, sales promotion and personal selling. It therefore becomes a very important task on the part of marketing manager to decide upon an appropriate promotion strategy for the products.

The most important factor in this connection is the stage of product life cycle the product is in. While all the components may play equally important roles during the introductory stage, advertisement is the only element that gains in importance during the growth stage and sales promotion is the priority during the maturity.

It is easier for the marketer to use mass media for products which cater to geographically dispersed markets therefore market characteristics and its nature is the second most important parameter.

The third issue in this regard is the nature of product. Products, which are standardised and non-technical, find advertisement to be the preferred means of promotion, while on the other hand personal salesman is used for products which are customised and technical.

Financial strength of the company is the last factor that decides the effective formation of the mix. Companies with sound financial strength heavily bank on advertisement or mass media communication techniques in order to reach the prospective consumers, while companies with limited resources and financial strength scale down their operation and depend heavily on personal selling. Favourable word-of-mouth from satisfied customers is also very effective in promoting a company's products, making customer relationship management very important.

5.17 Consumer Promotion Tools

- a) Sales promotion letters: Individual letters sent to people at their residential address with the help of selective database.
- b) Catalogues: Catalogues being mailed to individuals upon their request and the orders therefrom is processed thereafter. Discounts and gifts are offered on purchase
- c) Point of purchase promotion: Gifts being offered to consumers once they decide to buy the product at the point of sale
- d) Demonstration: Pre-purchase demonstration (often referred as pre-purchase service) acts as important promotional exercise
 - 1. Retail stores : It can be done in important retail outlets at regular intervals to draw consumer attention
 - 2. School : In front of children who may be the prospective clients of the product promoted. (For example, it may through offerings of free Maggi noodles to all children of a particular school on a given day during the lunch recess)
 - 3. Door to door : Demonstration calls being made at selective addresses in order to bag future orders

4. Key people : It is usually done with key representatives of the clan, the head of the village or advertisements done through brand ambassadors, in order to convince the prospective consumers about the utility of the brand
-
- e) Coupons : Coupons that may be liquidated for future benefits are provided during a given time period for improving sales
 - f) Self liquidating offers : A variety of offers that include discounts available to consumers from tie-ups with different brands also adds value to purchases
 - g) Free samples : Small trial samples are offered free to induce innovators to try and buy the product, specially where trial may lead to adoption
 - h) Gifts : Gifts of any nature and value are provided to add value to the product
 - i) Premium offers : Huge discounts for a limited time period on special occasions helps in adding value and improving the brand image
 - j) Consumer contests : Contests of different natures may induce consumers to participate hoping to win fabulous prizes
 - k) Instalment schemes (0%) : Innovative and consumer friendly hire purchase options against tie-ups with financing agencies help in sales and ensures convenience at the end of the consumer
 - l) Cash refund offers :
 1. Reuse refunds : Cash discounts being offered against repeat purchase
 2. Refund against guarantees : Refunds made against damage in use of product, or in the event the product fails to satisfy the consumer
 3. Product replacement : Replacements made when the product is found faulty
 - m) Price-offs :
 1. Enlarged quantity : Increased volume being offered at the same price, resulting indirectly in discounts
 2. Packaging (Refill or economy) : Price reductions being offered on account of economical packaging of the product

5.18 Business or Trade Promotion Tools

- a) **Merchandising** : Providing space for displaying products and help in building brand awareness
- b) **Sponsoring major national and international events** : It is a form of advertisement that improves awareness and enhances brand image
- c) **Participating in trade fair and exhibition** : Participation ensures better interaction with prospective vendors, outsourcing agents, and suppliers
- d) **Dealer level contests** : Encourages dealers to excel and increase sales volume to bag lucrative offers on achieving target

5.19 Questions

1. What is the difference between private and public distribution system ?
2. What are the factors that decide the choice of distribution channel of a product ?
3. What are the various options available to a marketer for distribution of products ?
4. What are basic functions of channel members ?
5. What is promotion mix ?
6. What are the factors that determine the priorities in promotion mix ?
7. What is advertisement? How does it differ from publicity?
8. What is Sales Organisation?
9. What are the various types of Sales Organisation?
10. What is Sales Promotion?
11. What are the various types of consumer promotion tools?
12. What are components of a print copy?
13. What are the factors that influence the Media Selection in advertising?

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Unit 6 □ Human Resource Management

Structure

- 6.0 Objective**
- 6.1 Introduction**
- 6.2 Meaning and Scope**
- 6.3 Functions of HRM**
- 6.4 Objectives of HRM**
- 6.5 Importance of HRM**
- 6.6 Role of HR Manager**
 - 6.6.1 Administrative Role of HR Manager**
 - 6.6.2 Operational Role of HR Manager**
 - 6.6.3 Strategic Role of HR Manager**
- 6.7 Difference between HRM and Personnel Management**
- 6.8 Summary**
- 6.9 Questions**
- 6.10 Suggested Readings**

6.0 Objective

After studying the chapter you should be able to :

- Understand the meaning and importance of Human Resource Management
- Realise the role played by the HR Manager
- Conceptualise the difference between personnel and human resource management

6.1 Introduction

Free enterprise, the survival of the fittest, exploitation of the masses were seen as laws of nature before social reformers like Lord Shaftesbury and Robert Owen embarked on some mitigation of this hardship.

The first people to be appointed by the employers with specific responsibility for improving the lot of employees were usually known as welfare officers. Their role was to dispense benefits to the deserving employees. The motivation, in this case was the charity of the noble employer, who was prepared to provide these comforts, partly because the employee deserved them, but mainly because he was disposed to provide them. The leading examples of this development were the Quaker families of Cadbury and Rowntree and the Lever Brothers soap business. All set up progressive schemes of unemployment benefit, sick pay and subsidised housing for their employees during the latter part of the nineteenth century.

With the organisations developing into large scale operations and specialisation gaining root in shop floor as well as managerial level, personnel work loosely came to be termed as staffing. The personnel manager operated within a bureaucracy serving organisational, rather than paternalist employer objectives.

Following the Scientific management philosophy of Taylor, personnel thinking was developed in the following lines :

- Develop a science for each element of a man's work, which replaces the old rule-of-thumb method.
- Scientifically select and then train, teach and develop the workman.
- Ensure division of work and responsibility between workers and management. The workers are supported by management in spirit of positive co-operation.

Fayol considered not the worker but the management process. The humane bureaucracy stage in the development of personnel thinking was also influenced by the Human Relations School of thought. This approach appealed immediately to those who were concerned about industrial conflict and the apparent dehumanisation of scientific management. The main advocate was Elton Mayo and the central idea was to emphasise informal social relationships and employee morale as contributors to organisational efficiency.

After the Second World War, there was relatively full employment and labour

became a scarce resource. Trade unions extended their memberships and their assertiveness brought a shift towards bargaining by the employer. There was a growth of joint consultation and establishment of joint production committees.

The philosophy, in simple terms states that, only by satisfying the needs of the individual employee will the employer obtain the commitment to organisational objectives that is needed for the success of the organisation. On the other hand, only by contributing to organisational success with the employees find satisfaction of their employment needs. It is when employer and employee accept that mutuality and reciprocal dependence that personnel management is viable.

6.2 Meaning and Scope

The central focus of HR management is contributing to organisational success. The key to enhancing organisation performance is ensuring that human resource activities support organisational efforts focussing on productivity, service and quality.

Productivity is measured by the amount of output per employee. An emphasis on quality requires continuous changes aimed at improving work processes. Involving all employees, not just managers, in ensuring productivity and quality requires changes in HR policies and practices. Considering the wide gamut of HR as a subject, its scope may be defined as to cover various groups of inter-linked activities. To begin with HR planning. Through HR planning managers attempt to anticipate forces that will influence the future supply of and demand for employees. An integral part of HR management is compliance with laws and regulations prevalent in the country. Using job analysis as the foundation stone for staffing activities, the HR manager completes the recruitment process with the help of job descriptions and job specifications. Induction as well as job skill training goes along way in effectiveness of the HR programme of the organisation. Compensation payments to worker arise in the form of pay, incentives and benefits.

6.3 Functions of HRM

Considering personnel to be a staff function, responsible for assisting line in its performance, the specific functions of HRM may be listed as follows :

- To assist line management in anticipating future manpower requirements across all functional divisions.

- To aid line management in recruiting and selecting appropriate incumbents for vacancies and when they arise.
- To provide a sound programme for salary and wage administration
- To ensure high employee morale and cordial industrial relations
- To assist line management develop an effective appraisal system and evaluate employee performance accordingly
- To help management secure a sound communication system through out the organisation.

6.4 Objectives of HRM

HRM is a staff function whose primary role is to help the organisation achieve its goals. The operations of the personnel function is dependent on the broad strategy, policies and structure of the organisation. In the light of the ever changing life of an organisation the HR department is expected to facilitate these changes through recruitment, selection, training, compensation and allied personnel functions. The objectives of HRM may be noted as under :

- To establish employee recruitment and selection systems for hiring the best possible employees, consistent with the needs of the organisation.
- To maximise the potential of each employee in order to attain the organisational goals as well as ensure individual career growth.
- To retain employees whose performance helps the organisation realise its goals and to release without ill feeling those whose performance is unsatisfactory.
- To ensure the organisational compliance with state laws that are aimed at safe and productive environment in the work place.

6.5 Importance of HRM

The importance of human resource management may be accounted for by the matter of fact that the environment faced by the HR management is challenging and dynamic. It becomes all the more critical for the success of the business because they are dealing in people, the most abstract part of an organisation. The challenges the HR

management faces can be viewed from following different perspectives :

- Economic and technological changes. Several economic changes alter the employment and occupational pattern of a nation. The world has recently seen a shift in job concentration from manufacturing and agriculture to services and information technology and the HR departments of all organisations have needed to gear up for this change.
- Occupational shifts. The rapid increase in technology jobs due to the use of information technology such as databases, system design and analysis and health care jobs due to aging population are issues that have to be handled by the HR management.
- Global competition. Due to the growth in information technology, global linkages are extensive and production and transportation is co-ordinated world wide. Less skilled manufacturing assembly jobs are being shifted from high wage developed countries to developing countries. The HR management is expected to deal with this global workforce.
- Super skilled workforce is in short supply. So the HR management is responsible not only for providing the right man for the right job at the right time but also ensure that the right man has the required skills.

6.6 Role of HR Manager

Traditionally HR has been viewed as the 'employee advocate' in organisations. As the voice behind employee concerns he is also viewed as 'company morale officer' who does not understand the realities of a business and do not contribute to the success of the business in measurable terms. Despite this view, HR plays a valuable role as the 'champion' for employee issues, strategically balancing organisational demands and nonwork related family problems, so that eventually the employee works in a family-friendly environment. Besides such crisis management, another facet of employee advocacy is to ensure fair and equitable treatment to workers.

Considering this situation, the HR manager may be said to perform three roles : administrative, operational and strategic.

6.6.1 Administrative Role of HR Manager

The administrative role of HR manager is heavily inclined towards processing and record keeping. Maintaining HR files, employee related data bases, processing

employee benefit claims, assisting in formulation of leave, pay related policies and ensuring the employer abides by the state laws in practice. But if limited to this role the HR manager would be considered primarily as clerical and lower level administrative staff. These functions are often outsourced or automated, which leads to the debate on justification of the role of HRM.

6.6.2 Operational Role of HR Manager

Operational activities are tactical in nature. The operational role of the HR manager includes compliance with equal employment opportunities and other laws must be ensured, fair recruitment policies, transparent pay structures, amongst others the role of the HR manager in this context revolves around implementation of programmes and policies of the organisation.

6.6.3 Strategic Role of HR Manager

The core issue behind the strategic role of the HR manager is the effective use of people for a competitive advantage to the business. In fulfilling this role the manager emphasises that people in an organisation are valuable resources representing significant investments. For HR to play a strategic role it must focus on long term implications of HR issues. How changing workforce demographics and work force shortages will affect the organisation and what means may be adopted to address these issues, are illustrations of the strategic role of HR.

6.7 Difference between HRM and Personnel Management

HRM is often considered to be no less than another name for personnel management, both emphasising the importance of integrating personnel/HRM practices with organisational goals. Further more similarities are evident when we compare both the normative and descriptive functional models with those of the employee relations style associated with the enactment of personnel management. While both personnel management and HRM highlight the role of line management, the focus is different. In the personnel management models, the role of line managers is an expression of the view that all managers manage people, so all managers, in a sense carry out personnel management. In the HRM models, HRM is vested in line management as managers responsible for co-ordinating and directing all resources in the business unit in pursuance of bottom line results. A clear relationship is drawn between the achievement of these

results and the line's appropriate and pro-active use of the human resources in a business unit. In brief, HRM may be considered to be a more central strategic management task than personnel management.

	PM	RHM
TIME AND PLANING	Short term Reactive Ad Hoc Marginal	Long Term
PSYCHOLOGICAL CONTRACT	Compliance	Commitment
CONTROL SYSTEMS	External Controls	Self control
EMPLOYEE RELATIONS PERSPECTIVE	Pluralist Collective Low trust	Unitarist Individual High trust
PREFERRED STRUCTURES SYSTEMS	Bureaucratic Mechanistic Formal defined roles	Organic Devolved Flexible roles
ROLES	Specialist/Professional	Largely integrated into line
EVALUATION CRITERIA	Cost minimisation	Maximum utilisation HR accounting.

Source : Guest : HR management

6.8 Summary

Following the Scientific management philosophy of Taylor, personnel thinking was developed. A significant change in focus among personnel specialists was observed in the 1960s, from dealing with the rank and file employee on behalf of the management towards dealing with the management and integrating with managerial activity. This has lead to the growth of the present day, manpower analyst. The philosophy, in simple terms states that, only by satisfying the needs of the individual employee will the employer obtain the commitment to organisational objectives that is needed for the success of the organisation. On the other hand, only by contributing to organisaional success will the employees find satisfaction of their employment needs. Considering

personnel to be a staff function, it is responsible for assisting line in its performance. The importance of human resource management may be accounted for by the matter of fact that the environment faced by the HR management is challenging and dynamic. HRM may be considered to be a more central strategic management task than personnel management.

6.9 Questions

1. Which management theory first lead to the development of personnel management?
2. What is the objective of having HR as a separate function?
3. State in brief the different roles of the HR manager.
4. Discuss the difference between HR management and personnel management.

6.10 Suggested Readings

- K. Aswathapa : Human Resource and Personnel Management, Tata McGraw-Hill.
- C. Ventataratnam & B. K. Srivastava : Personnel Management and Human Resources, Tata McGraw-Hill.
- E. B. Flippo : Personnel Management, McGraw-Hill.
- D. E. Guest : HR Management, Macmillan.
- W. B. Werther & K. Davis : Human Resources and Personnel Management, McGraw-Hill.

Unit 7 □ Human Resource Planning, Recruitment, Selection and Welfare Programmes

Structure

- 7.0 Objective**
- 7.1 Introduction**
- 7.2 Meaning and Importance**
- 7.3 Process of Human Resources Planning**
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7.17 Meaning and Scope of Employee Welfare

7.18 Types of Welfare Activities

7.19 Safety Policy

7.19.1 Types of Accident

7.19.2 Advantages of an Accident Free Organisation

7.20 Health Policy

7.21 Occupational Hazards and Diseases

7.22 Statutory Provisions on Industrial Safety

7.23 Statutory Provisions on Health

7.24 Social Security Measures

7.25 Summary

7.26 Questions

7.27 Suggested Readings

7.0 Objective

After studying the chapter you should be able to :

- Appreciate the need for human resources planning
- Elaborate the process of human resources planning
- Identify the barriers in human resources planning .

7.1 Introduction

The purpose of human resource planning is to develop schemes for the organisation and use of manpower resources so that they contribute, as effectively as possible, towards the achievement of corporate goals. Human resource planning aims to maintain and improve the ability of the organisation to achieve corporate objectives, through the development of strategies designed to enhance the contribution of manpower in future.

Specifically, the objectives of human resource planning may be listed as follows:

- Forecasting future personnel requirements by mathematical projections of trends in the economy or judgement estimates based on the future plans of the company.
- Inventoring present manpower resources and analysing the degree to which the resources are employed optimally.
- Anticipating human resources problems by projecting present resources into the future and comparing them with the forecast of requirements, to determine their adequacy, both quantitatively and qualitatively.
- Planning the necessary programmes for recruitment selection, training, employment, transfer, promotion, development, motivation and compensation so that future manpower requirements may be duly met.

The ultimate purpose of human resource planning is to relate future human resources to future enterprise needs so as to maximise the future return on investment in human resources.

7.2 Meaning and Importance

Human resource planning is a process of striking a balance between human resources required and acquired in an organisation. It enables an organisation to determine the way in which it should acquire its desired manpower, put them into appropriate use so as to achieve organisational goals.

According to Terry L. Leap and Michael D. Crino, human resource planning includes estimation of how many qualified people are necessary to carry out the assigned activities, how many people will be available and what, if anything, must be done to ensure the personnel supply equals personnel demand at the appropriate point in future.

In the words of Dale S. Beach, human resource planning is a process of determining and assuming that the organisation will have an adequate number of qualified persons, available at proper times, performing jobs which meet the needs of the enterprise and provide satisfaction for individuals involved.

Despite growing unemployment, there has been shortage of human resources with specific skills, qualifications or capabilities to suit the particular needs of an organisation. Hence arises the need for human resources planning. Large number of employees who retire, die or leave the organisation need to be replaced by new ones. This is one aspect of human resources planning that ensures smooth supply of workers without an interruption in the flow of work. Human resources planning becomes essential in these days of high labour turnover, caused by voluntary quits, promotions, discharges, etc.

Technological change, global competition require changes in the methods of production and the products and services on offer. These changes require adaptation of skills as well as the number of workforce for the new product or process. Human resources planning helps an organisation to cope with these challenges an organisation has to face. In addition, diversification and expansion of an organisation must be preceded by adequate human resources planning. On the other hand, it enables to identify those sections in the organisation which are probably overstaffed and those which face a shortage of personnel. Consequently, downsizing and transfers may be implemented to get the optimum out of the present personnel strength. In short, human resources planning strikes a balance between demand for and supply of human resources of an organisation.

Human resources planning helps the organisation develop training and succession programmes for the workforce. This enables management to assess critically the strengths and weaknesses of its employees and personnel policies on a continuous basis, and, in turn take corrective measures. Consultations with affected groups may be done at the early stages of an oncoming change process, so that resistance to change is minimal. Through correct human resources planning, duplication of efforts and conflict among workers may be avoided.

7.3 Process of Human Resources Planning

The process of human resources planning involves various steps, right from considering the long term and short term goals of the organisation to the actual monitoring and implementation of the human resources planning process.

Step I: Analysing Organisational Plans and Objectives. A business plan has to be

sub-divided into sectional and functional plans, such as technology, production, finance, marketing, expansion and diversification, that would provide the basis for assessing the human resource requirement in each section or department.

Step II : Analysing Objectives of Human Resources Planning. The main purpose of human resources planning is to match employees' abilities with the needs of the enterprise. The objective of the managers with respect to utilisation of human resources in the organisation leads to formulation of the broad human resources plan.

Step III : Forecasting Demand for Personnel. The demand for human resources in an organisation is expected to vary from time to time, depending upon both external and internal factors. The external factors influencing demand for personnel are competition, economic and political climate, technological changes, government policy, etc. while the internal factors include growth and expansion, design and structural changes, management philosophy, changes in leadership style, resignation of employees, retirement, termination and death. Methodology used for this purpose is detailed later.

Step IV : Forecasting Supply of Human Resources. Such forecast makes available the anticipated human resources supply in qualitative and quantitative terms, from internal and external sources. This process also involves the idea of human resources audit, beginning from the current inventory.

Step V : Matching Demand and Supply. Once the forecast of demand and supply of manpower is complete, they have to be reconciled, revealing either shortage or surplus. Accordingly, action plans have to be drawn up to proceed with further recruitment or downsizing, as the need may arise.

Step VI : Monitoring and Control. Once the action plans are implemented they have to be duly reviewed, regulated and monitored against set standards and changed circumstances, if any. This will bring about the much required congenial work environment in the organisation.

7.3.1 How to Forecast Personnel Needs

The expected demand for product or service on offer is paramount when forecasting personnel needs. The usual process is therefore to forecast revenues first. Then estimate the size of the staff required to achieve this volume. The different methods that may be used to predict employment needs are as follows :

- **Trend Analysis :** It includes variations in the firm's employment levels over the last few years to predict future needs. Though trend analysis can provide an initial estimate, but employment levels rarely depend just on the passage

of time. Other factors, like change in products sold, sales volume and productivity, may affect staffing needs.

- **Ratio Analysis :** It involves making forecasts based on the ratio between some causal factors like sales volume and number of employees required to achieve that sales volume. But this method assumes productivity of staff to be constant, which is likely to differ with the change in profile of the sales force.
- **Scatter Diagram :** A scatter diagram shows graphically how two variables, such as a measure of business activity and the firm's staffing levels may be related. If the graph establishes such a relationship, one can estimate the personnel requirements on the basis of the scatter diagram.
- **Work Study :** This method is used when it is possible to measure work and set standards and where job methods do not change frequently. Time and motion study are used to ascertain standard time for doing a standard work. Based on this the number of workers required to do the whole job is calculated.
- **Delphi Technique :** As per this method, a group is assigned the role of estimating the future needs of the organisation. But no member of the group is allowed to interact amongst themselves. Each member is asked to provide their estimate of the human resources requirement through a series of carefully designed questionnaires. Each member anonymously and independently completes the first questionnaire. Results of this are compiled at a central location, transcribed and circulated to each member. After viewing the results, members are again asked to review the estimate. The initial results usually trigger new estimates. This process is repeated till a consensus is reached. Since it does not require the physical presence of the group members, even a global company could use this technique.
- **Flow Models :** The simplest flow model is the Markov model. It initiates with the determination of the time period and employee category (called states) that will be covered under the forecast. Next, enumeration of annual flows in various categories for several time periods, probable flow from one category to another based on past trends are considered to determine the future flow of manpower. However, its basic limitation lies on its heavy reliance on past data and is not suitable for times of turbulent changes.
- **Mathematical Models :** These express the relation between independent

variables (production) and dependent variable (say, number of workers required). One such useful formula may be considered :

$$EN = \frac{(\text{Lagg } N + G)^{1/X}}{Y}$$

Where, E = Estimated number of workers required in N number of years
 N = Number of years

Lagg = Overall value (in Rs.) of current business operations

G = Overall growth in business activity over N years at current value terms (in Rs.)

Y = Level of business activity per worker

X = Average improvement in productivity estimated during N years.

- Software Programmes : Data on productivity (direct labour hours required to produce one unit of product) and sales figures (maximum, minimum and probable) may enable to generate figures on average staff level requirement. With programmes like these, employers can translate projected productivity and sales level into forecasts of personnel needs.

7.4 Limitations in Human Resources Planning

Undoubtedly, human resource planning is one of the most important challenges before a personnel manager. It is often perceived that people are available in abundance in our kind of labour surplus economy. But no attention to the quality of manpower and the requirement of the organisation is given in such thought. Demand and supply of manpower is an estimate and is often subject to bias and error. Various unanticipated fluctuations like labour turnover, market fluctuations and changes in technology often render human resource planning ineffective. Sometimes, human resources planning suffers from a conflict between quantitative and qualitative approaches used in the basic planning process. Some people view human resources planning as a means of tracking flow of people across different departments and in and out of the organisation. Others focus only on career planning, training and development, leading to the conflict. Human resource planning is based on past data, as a result organisations which do not maintain correct records often are unable to go ahead with adequate planning of manpower.

7.5 Succession Planning

Succession planning is an important part of man power development. Once the need for human resources have been forecasted, their availability must be identified. Forecasting the availability of human resources consider both the internal and external supplies. The external supply of potential employees are made from government labour force population estimates, trends in the industry and other factors. Internal supply considers people moving from their current jobs through promotions and lateral moves. They are the generally influenced by training and development programmes and transfer and promotion analysis. Succession analysis is one important method used in forecasting people for certain positions. It relies on replacement charts or transition matrix.

A replacement chart is a visual representation of succession plans developed to identify potential personnel changes, select back up candidates, promote individuals and keep a track of attritions (resignations and retirement) for each department of an organisation. Career paths in an organisation include a range of possible moves, lateral across departments, vertical within departments and others. Each possible path represent experience needed to fill the positions, relationships of positions to each other. The purpose of replacement charts is to ensure that the right individual are available at the right time and have sufficient experience to handle the targeted jobs.

A transition matrix, also known as the Markov matrix, model the internal flow of human resources. The matrix shows as probabilities the average rate of historical movement from one job to another. A very simple matrix is explained below :

	EXIT	MANAGER	SUPERVISOR	LINE WORKER
Manager	.15	.85	.0	.0
Supervisor	.10	.15	.70	.05
Line Worker	.20	.0	.15	.65

For example, there is 20 per cent probability that a line worker will be leaving in 12 months, 0 per cent probability of him being promoted to the post of a manager, 15 per cent probability of him being promoted to the post of a supervisor and 65 per cent probability of him remaining as a line worker, this time next year. Such transition matrices form bases for computer simulations of the internal flow of people in an organisation over time.

7.6 Recruitment

Recruitment is a process of searching for and obtaining applicants for jobs, from among whom the right people in the right number can be selected. In the words of Dale Yorder, recruitment is the process to discover the sources of man power to meet the requirements of the staffing schedule and to employ effective measures for attracting that man power in adequate numbers to facilitate effective selection of an efficient workforce.

According to Werther and Davis, recruitment is the process of finding and attracting capable applicants for a job the process begins when new recruits are sought and ends when their applications are submitted.

But actually for all practical purposes the recruitment process is found to extend to the screening of applicants so as to eliminate those who are not qualified for the job and yet have applied.

7.7 Objective of Recruitment

The human resources of an organisation are considered to be its most important asset. The success and failure of an enterprise are largely determined by the ability and performance of its workforce. Therefore the policies and programmes as organisation takes up to meet its man power needs is of vital significance to the success of the organisation. HR planning determines the number and type of workers the organisation needs and this is the initiation of the recruitment drive.

7.8 Purpose and Importance

Recruitment increases the pool of job candidates at minimum cost. It helps increase the success rate of the selection process by reducing the number of visually under qualified or over qualified applicants. Scientific and well planned recruitment process ensures that the social and legal obligations of the organisation regarding the composition of the workforce are adhered to in its recruitment policy. The recruitment process is the first contact the organisation makes with its potential employees. This is an opportunity of informing the qualified individuals about the employment prospects that this company has to offer, create a positive image for the organisation and generate enough enthusiasm

among the best candidates. The failure of the recruitment process reflects adversely on the performance of the organisation in many ways. It turns out to be a costly exercise and may also result in lowering the standard of selected candidates.

7.9 Factors Influencing Recruitment

There are a number of factors that influence recruitment in an organisation. They may be classified into external and internal factors.

7.9.1 External Factors

- **Labour market :** If demand for a particular skill is high relative to the supply, an extra ordinary recurring effort may be needed. In this respect an observation is relevant, 'the most striking feature in the Indian labour market is the apparent abundance of labour, yet the right type of labour is not may easy to find'. This factor takes a local perspective when non-managerial, unskilled labour has to be recruited and a national perspective, when senior level and executives are to be recruited.
- **Unemployments Situation :** When the unemployment rate in a given area is high, the process of recruitment is relatively simpler. The number of unsolicited applicants is expected to be high, which makes it easier to attract the most qualified and well suited applicants for the job, from a larger pool of candidates.
- **Demographic Factors :** The profile of the job seekers, with respect to their gender, age, economic background are likely to influence the recruitment process.
- **Labour Laws :** State and central government legislations have to adhered to by all organisations seeking recruitment with respect to child labour, dangerous services etc.
- **Legal Considerations :** Specific reservations have deep rooted effect on the recruitment policy of an organisation, when there are social and political compulsions of giving preference to less advanced sections of society.

7.9.2 Internal Factors

- **Size of the Organisation :** Larger organisations find recruitment less problematic than small less known ones.
- **Recruitment Policy :** The source of recruitment chosen by the business,

whether internal or external has a major impact on the recruitment process of the organisation. An organisation hiring temporary or part-time employees is in a less advantageous position in attracting sufficiently qualified candidates.

- **Image of the Organisation :** A company with a good image attracts more prospective competent applicants. Cordial public relations and employee management goodwill caters to an easy recruitment process. The future prospects of the business also influences the quality and quantity of applications received by the organisation.
- **Image of the Job :** Remuneration, working conditions, promotion and career development policies of the enterprise influence potential applicants interest in the organisation.

7.10 Process of Recruitment

The process of recruitment comprises of the following five steps.

Step I. Planning.

The first step involved in recruitment process is planning. It includes drafting of a comprehensive job specification for the vacant position, outlining its major and minor responsibilities, the skills, experience and qualifications needed for the job.

Step II. Strategy.

The strategic issues involved in recruitment related to the recruitment policy, the *source of recruitment*, internal or external, the geographical hinterland for recruitment, local or national, etc.

Step III. Searching.

There are broadly two sources from which applicants are searched, external sources and internal sources.

Step IV. Screening.

This is the practical steps in which recruitment ends and selection takes over. It is concerned with short listing the candidates by eliminating those who are, according to their applications unfit for the job or the organisation. The common methods or screening are preliminary applications, de-selection test and screening interview.

Step V. Evaluation and Control.

The cost benefit exercise of the recruitment process is an integral part of the process. The costs involved in recruitment are:

- a) Salary of recruiters,
- b) Cost of resources spent on preparing the job analysis, advertisement, etc.
- c) Administrative expenses
- d) Cost of outsourcing or overtime payments when vacancies remain unfulfilled,
- e) Cost incurred in recruiting unsuitable candidates. In view of these, it is prudent to review the benefits of the recruitment process.

7.11 Sources of Recruitment

7.11.1 External Sources

Since this is an open process it is expected to attract a large number of candidates for a job, which in turn widens the selection options of talented persons. With a large pool of applicants it is possible for the organisation to introduce 'fresh blood' in the work force. Though an expensive method, employees recruited from similar companies bring along new ideas which, in the long run adds a competitive edge to the business. The new employees recruited from outside probably take longer to orient themselves and adapt to the organisational culture. It may sometimes, act as demotivator for existing employees who think their promotion prospects are bleak. The different types of external sources of recruitment are:

- **Employment Exchange.** It is a government agency to enable the masses to get some job openings. The exchange is entrusted with the responsibility of registration of job seekers and their placement in the notified vacancies.
- **Employment Agencies.** These are private consultant bodies which register candidates for employment and furnish a list of suitable candidates for employment, to prospective employers. The choice of candidates is however, made by the employer and the agency operates on a fee. It is a cost-effective method for the hiring organisation and the identity of the prospective employer can be kept a secret. But there may be a loss of some valuable candidates, in the screening process by the agency.

- **Advertisement.** It is the method of recruitment with the highest reach. The advertisement for a job describes the job, the benefits and the expectations of the employer. The preparation of the advertisement also involves specialised skills, namely, AIDA, which stands for attract *Attention*, gain *interest*, arouse *Desire* and result in *Action*. Many organisation prefer a blind-ad, so that the name of the organisation is not disclosed and choice is fair. But it is essential that the advertisement carries details about the job content, realistic description of work conditions, compensation and fringe benefits, job specifications and growth prospects.
- **Professional Associations.** Many professional association offer placement service for their members. They also publish trade journals, which carry classified advertisements from employers interested in recruiting their members. This method is used for recruiting workers with specialised skills only, like Chartered Accounts.
- **Campus Recruitment.** The prospective employers visit training institutes which prepare their required kind of personnel, say IITs or IIMs. These training institutes also have their placement cells which maintain the liaison with the industry. They also have their placement cells, which maintain the liaison with the industry. The employer also gains by getting acquainted with a large student body who would be their future potential employees. But the disadvantage of this method is that the employer is restricted in employing candidates only at the entry level. Nowadays, campus recruitment is going global.
- **Deputation.** It involves sending an employee from one organisation to another for a short duration. It provides ready expertise and the organisation does not have to incur the initial cost of induction and training. But from the employee point of view, the one sent on deputation may not find his roots at the job and therefore perform below optimum.
- **Word of Mouth.** This is one of the informal and disorganised method, in which the organisation just sends out oral messages about the vacancies. As a result only known people get this information and the choice before the employer is small. There are times when the enterprise may not even get adequately qualified candidates by word of mouth recruitment.
- **Raiding or Poaching** Following this method, efficient employees of rival organisations are offered better terms of work in lieu of joining the 'poacher'

firm. It is not an encouraged systems and it is practiced secretly by personnel managers of some companies.

- **Unsolicited Sources.** Job seekers often submit unsolicited applications, which offer the employer a pool of talent of choose from.
- **Contractors.** They are used to recruit casual, mostly unskilled workers. These workers do not become the employees of the organisation and the contractor is responsible for their payment and records. In this way the company is able to avoid the difficulties of maintaining permanent employees.
- **Acquisitions or Mergers.** When organisation merge into one they have to handle a large pool or employees, all of whom they may want to retain. This is one of the most critical method of recruitment faced by an organisation.

7.11.2 Internal Sources

By recruiting from ones own workforce and their acquaintances, the organisation is in total command over the strengths and weaknesses of the employee. It enables the organisation to make better use of talents internally available and develop them further. Indirectly, it serves the role of a motivating factor for employees who presume that efficiency in performance may be rewarded by promotion. Nevertheless, it limits the choice of recruitment to those within the organisation and results in inbreeding, which is not healthy for the long term. These inbred candidates are protected from competition by not giving candidates from outside the organisation to show their worth. In addition, this may result in the tendency of stagnation among the candidates, who may enjoy the feeling that one who has joined the organisation is sure to be promoted sooner or later. The different types of internal sources of recruitment are :

- **Present Employees.** Promotions and transfers from among the present employees may be a good source of recruitment, that encourages improved performance. In order to be effective, promotion needs to be supported by job positions personnel records and skill banks. Job posting means notifying vacant positions by posting notices, circulating publications, announcing at staff meetings and inviting employees to apply. Examining personnel records help to identify meetings and inviting employees who are doing jobs below their education qualifications and skill levels. It helps build the morale of employees, encourages cordial relations, encourages enterprising employees.
- **Former Employees.** Retired employees may be retained in the organisation

on contractual or part-time basis. The strengths and limitations of such people are known to the business, which helps in their placement at the right job. The advantages of this sources is that some details about the employees prospective performance is known.

- **Employees Referrals.** This of the most cost effective methods of recruitment. Most employees know from their own experience the needs of the job and that of the organisation. There are, therefore less chances of an employee being a total misfit to the enterprise. A disadvantage with this system is that it is most likely that there will be a concentration of employees from the same region.
- **Previous Applicants.** Applicants received earlier but not selected can be contacted quickly as they are already part of the existing data base and is an inexpensive method of recruitment.

7.12 Selection

The terms recruitment and selection have a line separating them. While recruitment refers to the process of identifying and encouraging prospective employees of apply for jobs, selection is concerned with picking the right candidate from the pool of applicants. Recruitment seeks to attract as many candidates as possible, but selection seeks to eliminate as many unqualified candidates as possible, in order to identify the right candidate. Recruitment technically precedes selection.

Selection is the process of picking individuals, out of a pool of job applicants, with requisite qualifications and competence to fill jobs in an organisation. It is defined as a process of differentiating between applicants in order to identity, and hire those with greater likelihood of success in a job.

According to Yoder, selection is the process by which candidates for employment are divided into class — those who will be offered employment and those who will not. DeCenzo has defined selection as managerial decision making process as to predict which job applicants will be successful if hired.

Selection is an essential part in an organisation's efficient performance. The best way to improve work performance is to hire people who have competence and willingness to work hard. Poor or inappropriate selection can be demoralising for the employer as well as for rest of the work force.

Cost of wrong selection has to be borne by the organisation in a multiplied manner because appointment of an unfit employee has long term consequences.

7.13 Outcomes of Selection Decision

There are four possible outcomes to a selection process.

1. Right selection decision — leads to employees who are rightly appointed.
2. Right selection decision — leads to employees who are rightly rejected
3. Selection error — a decision is made to hire a candidate, based on predicted success but failure results. Such decisions bring about three types of costs:
 - Costs incurred while the person is employed resulting from production or profit losses, damaged company reputation, accidents due to negligence, absenteeism, etc.
 - Costs associated with training, transfer or termination of such employee.
 - Costs of replacing that employee with a fresh one — rehiring, retraining, etc.

Generally the more important the job, — higher is the cost of selection error.

4. Selection error — An applicant who would have succeeded is rejected based on predictions of failure. Most of such errors go unnoticed, except when the employee may have excelled elsewhere, enough to draw the attention of the employer who missed him.

7.14 Process of Selection

There is no singular selection process followed by all organisations, nor is it possible to follow one selection process for all employees at all levels in one organisation. Selection process for senior managers will be rigorous and long drawn but those of shop floor workers will be short and prompt. The steps in the general process of selection may be listed as follows:

1. Preliminary Interview. Applicants received from job seekers are scrutinised to eliminate unqualified candidates through the preliminary interview, on the basis of the information about the applicant available from the initial application.

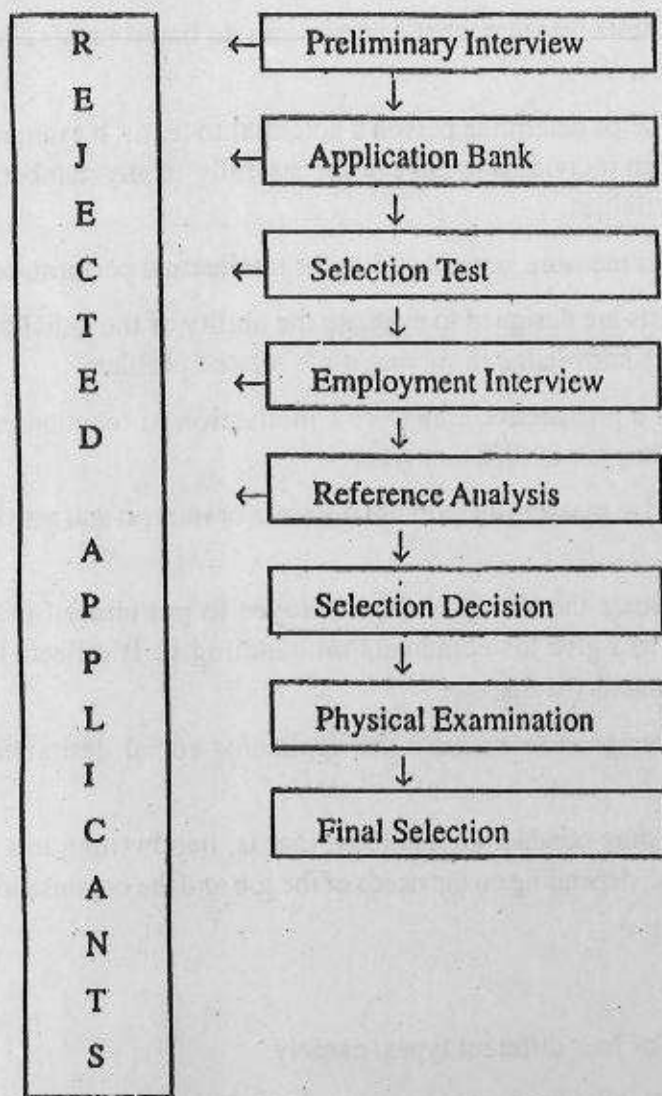
2. **Application Bank.** Job seekers are required to fill up an application detailing social, educational, work related information in a particular format provided by the employer. It serves as a personal record of the candidate.
3. **Selection Test.** Different types of tests may be administered depending upon the job and the organisation. Generally, tests are conducted to determine the applicants's ability, aptitude and personality. The usual tests in use are of two types, ability tests and personality tests.

Given the large number of tests at the disposal of the employer, the one most suitable for the organisation and the job is chosen on the criteria of reliability, validity, objectivity and standardisation. *Reliability* refers to standardisation of procedure of administering and scoring the test results. A test is considered reliable when an employee subject to a test on one day has the same or similar result as that he will have subject to the same test on another day, under the same conditions. *Validity*, as a criteria of the chosen test ensures that the test is able to differentiate between prospective employees as to who will do the job better. *Objectivity* in a selection test means that two or more people must be able to infer the same results out of the test. Otherwise subjective opinion of the test evaluator will make it meaningless. A *standardised* test is meaningful when administered to a large group who are performing similar tasks.

4. **Employment Interview.** Interview is indepth formal communication to evaluate the applicant's suitability for the job. Flexibility is the strength of interview as a selection method, as it allows two-way exchange of information. It is a purposeful exchange of ideas, along with getting to know the unspoken and unwritten aspects of an individual, like body language, mannersims, etc.
5. **Reference Analysis.** The applicant provides names of references who may be contacted by the employer to vouch for the chosen candidate authenticity. But it must be mentioned that information gathered from references hardly influence selection decision. It is more often than not a mere formality.
6. **Selection Decision.** This is a major decision in which the HR manager, responsible for the entire process of recruitment and selection seeks the views of the line manager.
7. **Physical Examination.** After the selection decision and before the job offer is made the candidate has to go a physical examination test. The job offer, is contingent upon the candidate being declared fit by the relevant authorities. Medical check up protects applicants with health defects from undertaking work that could be detrimental to themselves or might endanger others. On

the other hand, such examination and recording of the results will protect the employer from worker's compensation claims that are not valid because the injuries or illnesses were present the employee was hired.

8. Final Selection is communicated through a letter of appointment. The employee is usually given reasonable time for joining, specially if he is already employed.



7.14.1 Selection Tests

Tests for selection of employees can be classified into two types :

- I. Ability tests and
- II. Personality tests.

Ability tests assist in determining how well an individual can perform tasks related to the job. They are of different types,

- (a) Achievement tests measure what a person can do based on his skills and experience.
- (b) Aptitude test helps determine person's potential to learn. It examines the fitness of an individual to engage successfully in any number of specialised activities.
- (c) Intelligent tests measure general ability for intellectual performance.
- (d) Judgement tests are designed to evaluate the ability of the individual in applying his knowledge in solving a job related problem.

Personality tests measure a prospective employee's motivation to function in a particular work environment. They are of different types,

- (a) Interest tests are used to measure an individual's areas of interest and activity preferences.
- (b) Projective tests evaluate the ability of the employee to put himself in an unknown situation and give his comments on handling it. It reflects his values, beliefs, personality traits, etc.
- (c) Attitude tests are designed to evaluate the applicants social desirability authoritarianism, etc.

In addition, an employer may conduct Graphology, that is, handwriting test or polygraph, that is, lie detector test, depending on the needs of the job and the organisation.

7.14.2 Interviews

In general, interviews are of four different types, namely

- Structured. A preset standardised set of questions is put before all candidates. It is also called guided or patterned.
- Unstructured. It is unplanned and the interviewee is made to do most of the

talking by asking open-ended questions. It lacks uniformity and may overlook key areas of the applicant's skill or background.

- **Mixed.** A blend of structured and unstructured questions are used. The structured questions provide the base of the information that allows comparison between different candidates and the unstructured questions permit greater insight into unique differences between applicants.
- **Behaviourial.** It focuses on a problem or a hypothetical situation that the applicant is expected to solve. This method, however is limited in scope and is useful only when the hypothetical situation matches real life situation at the work place.
- **Strees Interview.** It attempts to learn how the applicant will respond to the pressure of the job, specially stressful conditions.

On the basis of the number of persons conducting the interview, there are different types of interviews, namely.

- **One-to-one.**
- **Sequential,** which involves a series of interviews, so that each interviewer can ask questions from his area of specialisation.
- **Panel,** which engages two or more persons interviewing one applicant. It has to be structured in order to be successful.

7.15 Barriers to Effective Selection

The objective of selection is to hire competent people who would be committed to the job. But there are different constraints in the selection process which hinders effective selection.

1. **Perception.** Inability to understand the applicant correctly may be the first impediment in choosing the right candidate. Selection involves an individual or group of people to assess and compare competencies of others, but these selectors differ in their views and observations.
2. **Fairness.** The bias of selectors against race, religion, socio-economic background affects the selection process.
3. **External pressure.** In certain cases fair selection is conditioned by pressure from bureaucrats, politicians, relatives or friends. Candidates selected because of such compulsions are, in most cases, not the right ones.

7.16 Objective of Employee Welfare

Employee welfare measures are designed to take care of the well-being of the employees—they do not generally result in some monetary benefit to the employees. These facilities are not meant to be provided by the employer alone. The state and other related organisations also contribute to employee welfare.

7.17 Meaning and Scope of Employee Welfare

Welfare of an employee has a comprehensive meaning, referring to the physical, mental, moral and emotional, well-being of an individual. It is a relative concept, relative in terms of time and space. Labour welfare is a term which must necessarily be elastic, bearing a somewhat different interpretation in one country from another, according to different social customs, the degree of industrialisation and the education levels of workers.

The ILO at its Asian Regional Conference 1950, defined labour welfare as a term which is understood to include such services, facilities and amenities as may be established in or in the vicinity of undertakings to enable the persons employed in them to perform their work in healthy, congenial surroundings and to provide them with amenities conducive to good health and high morale.

It has two aspects : positive and negative. On the negative side labour welfare is concerned with the large scale industrial production system, on the personal and family life of the worker. On its positive side it deals with the provision of opportunities for the worker and his family for a good and comfortable life.

The social and economic aspects of life of a worker have a direct influence on the social and economic development of a nation. So there is need to take care of the worker—by providing both statutory and non-statutory facilities. Such facilities help to motivate and retain an employee, who is loyal to the organisation. They are in the shape of hygiene factors, as propounded by Herzberg, whose absence create dissatisfaction. Labour welfare also minimises the chances of workers falling prey to social evils, in the form of alcoholism, gambling, prostitution, drug addiction, etc. Such labour welfare measures taken on behalf of the company improves its image as a good employer and helps in recruiting efficient employees. This helps in improving productivity and minimise, absenteeism, turnover, wastage related losses.

7.18 Types of Welfare Activities

- I. Welfare measures taken up by employers
 - (a) Inside the work place—
 - (i) Neighbourhood safety and cleanliness
 - (ii) Housekeeping of the premises
 - (iii) Sanitation and cleanliness of the workshop
 - (iv) Control and treatment of effluents.
 - (v) Comfort and convenience during work, seating arrangements, etc.
 - (vi) Workmen's safety measures
 - (vii) Providing necessary beverages at the work shop.
 - (viii) Notice board, slogans, reminders of information or communication.
 - (ix) Necessary bathrooms, etc near the shopfloor
 - (x) Dispensary, emergency aid
 - (xi) Creche and family health care
 - (xii) Indoor games facilities at work intervals
 - (xiii) Co-operative loans, thrift and saving schemes
 - (b) Outside the work place
 - (i) Housing quarters
 - (ii) Education for workers 'family
 - (iii) Markets, banks, transport, recreation, security
 - (iv) Hospitals
- II Welfare measures taken up by the government
 - (a) Establish legislation
 - (b) Constitute welfare funds
- III Welfare measures taken up by the trade unions
 - (a) Social and cultural associations
 - (b) Schools, libraries, hospitals, creches
 - (c) Legal assistance
 - (d) Training programmes
 - (e) Communication through journal publication
- IV Statutory welfare measures : Mandatory measures as per laws of the country

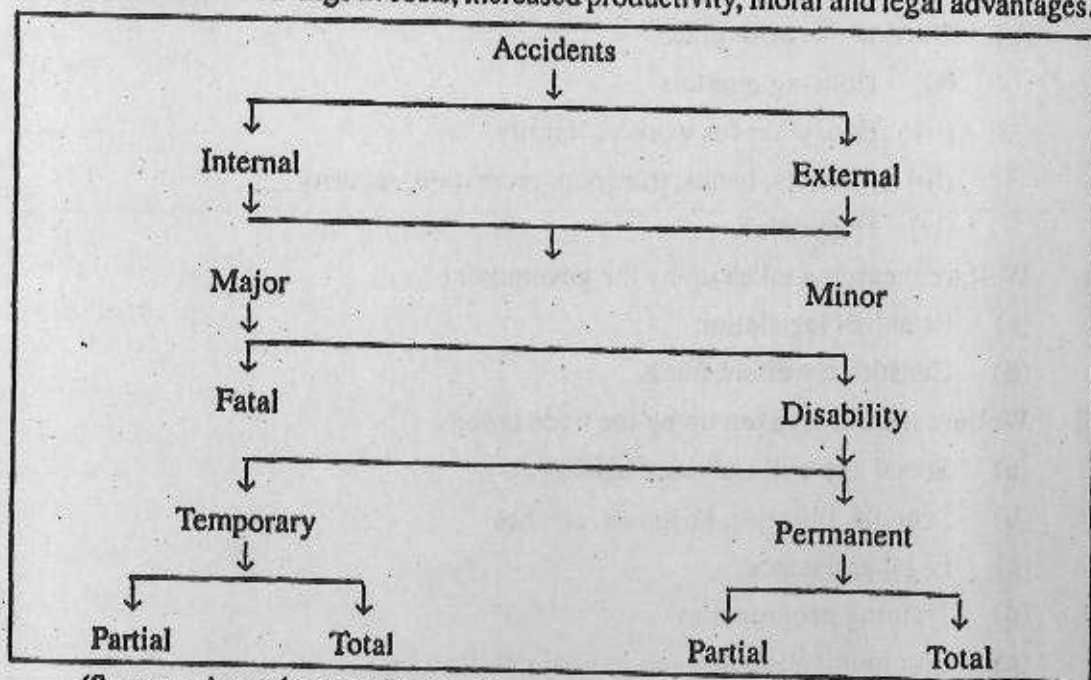
7.19 Safety Policy

Industrial safety refers to the protection of workers from the danger of industrial accidents. An accident is an unplanned or uncontrolled event in which any action results in injury to a worker. A safety policy must contain a declaration about the organisation's intent to ensure safety and the means by which the intention is to be realised. The fundamentals principles that guide the safety policy of any organisation are :

- The importance of safety in the enterprise is above all else
- Safety will take precedence over expediency
- Efforts will be made to involve all employees in the development and implementation of the safety procedures.
- All safety regulations will be complied with in true spirits

7.19.1 Types of Accident

Depending upon the severity of the injury, accidents may be classified as major, or minor. A major accident is one that results in death or prolonged disability. Such disability may be temporary or permanent, partial or total. A clear look at the chart below explains the different types of accidents. An accident free plant enjoys substantial benefits in terms of savings in costs, increased productivity, moral and legal advantages.



(Source : Aswathappa : Human Resource and Personnel Management).

7.19.2 Advantages of an Accident Free Organisation

Cost savings. When an accident occurs, two types of costs are incurred by the organisation. One is the direct cost paid to the victims family as a form of compensation, if the accident is fatal and the treatment expenses incurred if the accident is non-fatal. But the management of an enterprise is free of this burden if adequate measures under ESI scheme of the government is taken up. On the other hand there are hidden costs that may have to be incurred which the management can not avoid. Hidden costs include loss on account of down time by operators, slow down of the production process, materials spoilt labour for cleaning and damages to equipment. When an injured worker joins work, he may operate at a lower level of efficiency. Co-workers become emotionally upset and get slow in their work. A safe plant in its accident free environment can avoid these costs.

Increased productivity. Safe factories are efficient factories. To a large extent safety promotes productivity, because employee in a safe enterprise devote more time and energy to improve their quality and quantity of work, and less time worrying about their safety and well being.

Moral and legal advantages. Safe work environment sends the signal of an employer caring for his employees. This in turn brings about a motivate work force who wish to satisfy the expectations of the employer. There are laws covering covering occupational health and safety and attached penalties for non-compliance.

7.20 Health Policy

The well-being of an employee is, besides being related to work safety, also constitutes his health—physical as well as mental. Physical health implies, absence of disease and capability of one to performance the job allocated to him effectively. Ill health of employee results in reduced productivity, higher unsafe acts and increased absenteeism. Healthy workers on the contrary, are not only more productive, they are more safety concious, regular and confident. Progressive enterprises often have full-fledged dispensaries in the work place which saves on time of the employee for the need of visiting the doctor for common ailments. In addition, regular health checkup facilities are provided to all employees of the organisation.

In recent years, however, mental health of employees, executives in particular has drawn the attention of HR mangers. Mental health refers to mental soundness and balance

of mind of an individual. Pressure of work, tension and stress have been major reasons for poor mental health of the worker. Stress refers to an individual's reaction to a disturbing factor in the work environment. Mental trauma about reduced productivity, lower profits of the organisation are taking its toll on employee mental health. The results are often observed in the form of alcoholism, nervous breakdown and even poor human relationships. Psychiatric counselling and consultation by experts will relieve the employee and consequently the employer of the problems related to mental health of the employee.

Stress can manifest itself in two ways : positive and negative. Stress is said to be positive, called Eustress, when the situation offers an opportunity for one to gain something out of that situation. It is often viewed as a motivator, in whose absence, the individual lacks the edge necessary for peak performance. Stress is negative, when it is associated with heart disease, alcoholism, drug abuse, etc.

7.21 Occupational Hazards and Diseases

Employees in certain industries are exposed to certain occupational hazards or diseases, which may be classified under the following divisions :

- **Chemical Hazards.** Commonly used chemical substances, like carbon monoxide, carbon dioxide, nitrogen dioxide, sulphur dioxide, etc. used in industries, may cause injury to the employee when absorbed through skin or inhalation. As a result workers may suffer from respiratory, skin or neurological disorders, temporary or permanent in nature.
- **Biological Hazards.** They are manifested by diseases caused by bacteria, fungi, virus prevalent in the work place that affects employee health adversely.
- **Environmental Hazards.** These include air and noise pollution, radiation, vibration causing genetic disorder, leading to cancer, nervous disorder, etc.
- **Psychological Hazards.** Industrial stress, inter group conflict and leadership crisis may bring about emotional and mental disturbance.

Occupational diseases are caused by typical working conditions prevalent in industries. They develop due to the workers frequent exposure to unhealthy working conditions. These diseases develop slowly with accumulated effects over an extended period of time.

There are mandatory regulations that have to be complied with by the employer with regard to preventive and curative measures, to prevent such incidents from occurring and offer cure, if they are detected.

7.22 Statutory Provisions on Industrial Safety

The Factories Act 1948 lays down safety provisions under various sections, listed below. They are obligatory on part of the industrial establishment.

- Section 21 requires the fencing of machinery with guards of substantial construction. These should also be maintained and kept in its due position when the machine is in movement.
- Section 22 requires a trained adult male worker wearing tight fitting clothing should examine and operate the machine in motion. No women or children are allowed to operate a machine which is in motion.
- Section 23 requires that adolescents should not be allowed to work on dangerous machines unless he has received full instructions on the dangers involved, or sufficient training from an experienced and knowledgeable person.
- Section 24 requires that every factory must provide suitable striking gear to move driving belt. There should be a locking device to prevent accidental starting of transmission machinery to which the device is fitted.
- Section 25 requires that no traversing part of self acting machine shall be allowed to run within a distance of 45 cm from any fixed structure which is not part of the machine.
- Section 26 requires that any machinery driven by power shall be sunk or securely guarded.
- Section 27 requires that women and children should not be employed in any factory for pressing cottons when the cotton opener is in operation.
- Section 28 requires that in every factory hoists and lifts should be in good condition and should be examined once in every 6 months.
- Section 29 requires that in every factory lifting machines, chains and rope should be in good condition and should be examined once every year.

- Section 30 requires that wherever grinding work is in progress, a notice indicating maximum safe working peripherals should be affixed in a prominently visible position.
- Section 31 requires that if any factory, or its part is operated at a pressure above atmospheric pressure, measures should be taken to ensure that such pressure does not fluctuate, without adequate warnings.
- Section 32 requires that every part of the factory, floors, stairs, passage should be of sound construction and properly maintained.
- Section 33 requires that every pit, sumps, tank, or opening on the floor shall be securely covered or fenced.
- Section 34 requires that any person shall not be allowed to lift or carry excessive weights that may cause him physical injury.
- Section 35 requires that there should be adequate provisions for goggles or screen to protect workers from being exposed to harmful rays.
- Section 36 requires that no employee is allowed to enter any confined place where any gasses or fumes are found to exist.
- Section 37 requires that any factory producing naturally explodable gas or fumes in its manufacturing process, must take adequate steps to remove any possible source of ignition.
- Section 38 requires that effective measures be taken to prevent outbreak of fire and its spread.
- Section 39 requires that if any part of the factory building appears to be dangerous to human life the factory supervisor, may insist on suitable test to determine its safety.
- Section 40 requires that when unsafe condition of the factory is reported the inspector may ask the manager to repair it.

7.23 Statutory Provisions on Health

The Factories Act 1948 lays down provisions for safeguarding health of the employees working in industrial establishments, under various sections, listed below. They are obligatory on part of the industrial establishment.

- Every factory must be kept clean and free from effluents arising from drains, toilets, etc. the factory interior should be whitewashed every 14 months. The floor should be swept and cleaned with disinfectant fluids.
- Effective measures should be taken in every factory for disposal of wastes and effluents arising out of the manufacturing process.
- Proper provisions for ventilation should be maintained in every factory.
- Effective measures must be taken to prevent the employees from inhaling dust and fumes.
- Sufficient lighting, natural or artificial should be made available in every part of the factory.
- Every worker should be provided at least 500 cu. ft. of space for his work.
- In every factory separate latrines should be provided for men and women. They should be adequately lighted and ventilated.
- Spitting at open places should be avoided, and adequate facilities should be provided in clean and hygienic conditions.
- Adequate number of well equipped first aid boxes and a ready ambulance should be provided in the factory premises.

7.24 Social Security Measures

India is a welfare state. Here the state serves as the patron of the society especially for those who are helpless. The Constitution of India lays down that the state shall, within the limits of its economic capacity and development, make effective provisions for securing public assistance in the event of unemployment, old age and disability. Therefore, the state has an obligation to help such helpless workers, in times of need and its efforts in this direction are called social security measures.

It is defined as a means of securing an income to take the place of earnings when they are interrupted by unemployment, sickness or accident to provide for retirement through old age, loss of support by death or meet exceptional expenditures.

Social security measures are of two types :

I. Social assistance, which refers to the assistance rendered by the government to the needy persons without asking them to make contributions to be entitled to get

such assistance. In other words, social assistance includes those benefits which are provided by the government without any contribution from workers and employers. Workmen's compensation, maternity benefits, old age pensions are examples of social assistance.

II. Social insurance refers to a scheme of maintaining a fund from contribution made by the employer and employees, with or without subsidy from the government. It is a device to provide benefits which are rights of persons with small earnings, examples being provident fund.

Social Security Legislation in India include :

- Workmen's Compensation Act 1923, which tries to ensure compensation to workers for accidents occurred during the course of employment in factories, mines, plantations, etc.
- Employees' State Insurance Act 1948, which provides a contributory and compulsory health insurance scheme that provides medical facilities and unemployment insurance to industrial workers for the period of their illness.
- Employees Provident Fund and Miscellaneous Provisions Act 1952 aims to afford retired workers financial security by way of provident funds, family pension, etc.
- Maternity Benefit Act 1961 regulates employment of women in industrial enterprises for a certain period before and after childbirth.
- Payment of Gratuity Act 1972 aims to provide economic assistance on termination of employment.

7.25 Summary

The purpose of human resource planning is to develop schemes for the organisation and use of manpower resources so that they contribute, as effectively as possible, towards the achievement of corporate goals. It is a process of striking a balance between human resources required and acquired in an organisation. Human resources planning helps the organisation develop training and succession programmes for the workforce. This enables management to assess critically the strengths and weaknesses of its employees and personnel policies on a continuous basis, and, in turn take corrective measures.

The success and failure of an enterprise are largely determined by the ability and performance of its workforce. Recruitment is considered to be a process of searching for and obtaining applicants for jobs, from among whom the right people in the right number can be selected. The recruitment process is the first contact the organisation makes with its potential employees. External source of is an open process it is expected to attract a large number of candidates for a job, which in turn widens the selection options of talented persons. By recruiting from ones own workforce and their acquaintances, the organisation is in total command over the strengths and weaknesses of the employee. It enables the organisation to make better use of talents internally available and develop them further. The terms recruitment and selection have a line separating them. While recruitment refers to the process of identifying and encouraging prospective employees to apply for jobs, selection is concerned with picking the right candidate from the pool of applicants. Cost of wrong selection has to be borne by the organisation in a multiplied manner because appointment of an unfit employee has long term consequences. Tests for selection of employees can be classified into two types : Ability tests and Personality tests. The objective of selection is to hire competent people who would be committed to the job. But there are different constraints in the selection process which hinders effective selection.

Employee welfare measure are designed to take care of the well-being of the employees—they do not generally result in some monetary benefit to the employees. Such facilities help to motivate and retain an employee, who is loyal to the organisation. Industrial safety refers to the protection of workers from the danger of industrial accidents. The well-being of an employee is, besides being related to work safety, also constitutes his health—physical as well as mental. Employees in certain industries are exposed to certain occupational hazards or diseases. Occupational diseases are caused by typical working conditions prevalent in industries.

7.26 Questions

1. Human resources planning is a prerequisite for effective human resource management of an organisation. Discuss the significance of human resource planning.
2. Write in brief about :
 - (a) Objectives of human resource planning
 - (b) Delphi technique in human resource forecasting

- (c) Limitations in human resource planning
- 3. What is the purpose of recruitment?
- 4. Discuss the internal and external sources of recruitment.
- 5. Write in brief the process of selection.
- 6. What is the relationship between recruitment and selection?
- 7. Write in brief about
 - (a) Aptitude test
 - (b) Intelligence test
 - (c) Stress interview
 - (d) Sequel interview
- 8. How does an application bank help an organisation?
- 9. What do you mean by validity and reliability of a selection test?
- 10. What do you mean by employee welfare?
- 11. Explain in brief the need for instituting labour welfare packages in an organisation
- 12. What role do the trade unions play in implementing employee welfare measures in an organisation?
- 13. What advantages does an enterprise gain by ensuring accidents do not take place?
- 14. What do you mean by stress?
- 15. What is the need for introducing social security measures?
- 16. State the two different types of social security measures.

7.27 Suggested Readings

Dale Yoder : *Personnel Management and Industrial Relations*, Printice Hall

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Unit 8 □ Training and Performance Appraisal

Structure

8.0 Objective

8.1 Introduction

8.2 Importance and Need for Training and Development

8.3 Areas of Training

8.4 Steps in Training Programmes

8.4.1 Methods of Training

8.5 Impediments to Effective Training

8.6 Training and Development

8.7 Introduction : Performance Appraisal

8.8 Objective of Performance Appraisal

8.9 Purpose of Performance Appraisal

8.10 Process of Performance Appraisal

8.11 Methods of Performance Appraisal

8.11.1 Management by Objectives (MBO)

8.12 Problems in Performance Appraisal

8.13 Ways to Improve Performance Appraisal

8.14 Potential Evaluation

8.15 Summary

8.16 Questions

8.17 Suggested Readings

8.0 Objective

After studying this chapter you should be able to :

- Understand the meaning of training and development
- Explain the need for training to an organisation
- Discuss the different methods of training
- Identify the steps in the development of an employee
- Understand the need for performance appraisal
- Describe the methods used in performance appraisal
- Discuss the problems arising in performance appraisal
- Define the potential evaluation and its need

8.1 Introduction

Training and development is defined as, any attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his knowledge and skills. It is the systematic modification of employee behaviour through learning which occurs as a result of education, instruction, development and planned experience.

The objective of imparting training to the employees is to ensure that they fulfil their responsibilities effectively. Training is the process of teaching the new and/or present employees the basic skills needed to effectively perform their jobs. Training leads to development of the workers into able employees and responsible citizens of a nation.

The term development implies overall development in an individual. It does not only mean improvement in the job performance but also improvement in the knowledge personality, attitude, behaviour of an employee.

According to Edwin B. Flippo, training is the act of increasing the knowledge and skills of an employee for doing a particular job.

8.2 Importance and Need for Training and Development

Training and development is a process that tries to improve skills, or add to the existing level of knowledge, so that the employee is better equipped to do his job, or to mould him fit for a higher job involving more responsibilities. Training is job oriented, that tries to bridge the gap between the skills the employee has and what the job demands. The major reasons that have necessitated training expected to bring about development for all employees in different organisations are :

- Sub-optimal performance of organisation in government and public sectors
- Gap between planning, implementation and completion of projects
- Technological change necessitating acquiring new knowledge, skills and ability
- Increase in qualitative skills of managers and workers
- Increasing uncertainties and complexities in environment
- Need for the organisation to adapt to the fast changing world
- Face the challenges of global competition

The importance of employee training and development can best be appreciated from the advantages that the training programmes impart to both the employer and the employee. They may be listed as follows:

- Better performance. Training improves employees ability and skills and in turn, improves their performance both in terms of quality and quantity. This leads to higher productivity and increased organisational profits.
- Improved quality. In formal training programmes impart standardised and scientifically evolved techniques of doing a job. It brings about uniformity in work performance and reduces mistakes and wastage.
- Less supervision. Well trained workers, who are self reliant are less likely to commit mistake and reduce the chances of accident and manhour wastes. Supervisors can, therefore concentrate on planning and control activities.
- Short learning time. Systematically organised training programme reduces time and cost in learning and no time and resources are wasted by way of

trial and error.

- **High morale.** Training not only enhances skill and knowledge of workers but makes them more committed to the organisation and instills in the work force a feeling of belongingness.
- **Prevents obsolescence.** Continuous training keeps the employee updated in his job and prevents the organisation from becoming obsolete and hence lose out to customers.
- **Organisational climate.** Training of employees ensures cordial employer-employee relationship and leads to better industrial relations.

Training, is no doubt considered to be an invaluable investment. The challenge before an organisation lies in designing an effective training programme that would bring about the much needed development in the organisation.

8.3 Areas of Training

It is evident that training is essential for the overall growth and development of the employees as well as the organisation. There are following areas in which trainings are required, to meet the specific needs of an organisation.

1. **Knowledge :** Training aimed at imparting knowledge to employees for facts, information and practices related to his job. In general, such training covers three aspects, job context, job content and quality of work.
2. **Technical Skills :** Training in this area teaches the employees actions like operating a machine, mathematical and statistical tools, etc.
3. **Social Skills :** Training in such area encompasses various aspects of interpersonal skills, which brings about individual and team work.
4. **Techniques :** It teaches employees to apply the knowledge and skills to different situations.
5. **Attitudes :** It involves orientation or induction programmes that help to change the attitudes of the employees towards achievement of corporate goals.

8.4 Steps in Training Programmes

Training is an important organisational activity both in the corporate and non-corporate sectors. But the effect of training programmes are found to vary to a large extent. This is probably due to lacunae in the training programme. The success of training programme lies in its design. It is necessary to design a training programme well aligned with the overall HR policy of the organisation. In this context, the requisite steps in a successful training programme are detailed below.

Step 1. Identification of Training Needs. It is a process that involves identification of areas where the employees are weak in their skills. According to Mc Ghee and Thayer, identification of training needs consist of the following three components.

- (a) **Organisational Analysis :** It helps identify the deficiencies in the organisation and the mechanisms needed to rectify them. A comprehensive analysis is conducted with respect to organisational objectives, resources available, resources allocation and utilisation culture and environment.
- (b) **Task Analysis :** Also called job or operational analysis, it involves a detailed analysis of various components of a job. It will indicate the skills and training required to perform the job at the required standard.
- (c) **Man Analysis :** Here the focus is on the individual employee, identifying the attitudinal deficiencies in an employee and is based on personal data.

Step 2. Setting Training Objectives. Once the training needs are identified the HR department engages itself in setting the objectives the training programme wishes to achieve. The basic objective of training is to match between the man and the job. Training objectives should be set recognising the fact that employee growth is a means of achieving organisational growth. Besides the training programme should keep as one of its objectives the need for preparing a second line of defence.

Step 3. Designing training Methods. Training methods are the means by which the training objectives will be fulfilled so that the training needs are met. There are a variety of training methods, each suitable for a particular kind of employee in a particular kind of organisation. The organisation has to select the one method which suits its need and economic aspects.

Step 4. Administration of Training Programmes. Administering a training programme refers to the training contents, location of training, training budgets, etc. The training contents are designed keeping in mind the trainee's requirements, phased

in logical sequence so that the employee is not overburdened at the time of receiving the training.

Step 5. Evaluation of Training. It is an attempt to get the feedback on the effects of the training programme. A form containing pertinent questions are given to the trainees to be filled and submitted at the end of the training programme. Information so obtained from the trainees is analysed to identify the weak areas and improve the same for future. However, the success of a training programme not only depends on the trainers and the contents of the training schedule but also the environment in which the training is being given. Four types of data are to be collected for evaluation of a training programme:

- (a) **Measure of Reaction:** It reveals trainee's opinion about the training programme.
- (b) **Learning :** It assesses the degree to which trainees have mastered the concepts, knowledge and skills intended to be imparted in the training.
- (c) **Behaviour Change :** It indicates the performance of trainees.
- (d) **Organisational Results :** it aims to examine the impact of training on the work group or the entire company.

8.4.1 Methods of Training

1. **On-the-job training.** In this method the employee is placed on the job and taught the skills necessary to perform it. It is more like a 'observe and copy' job and hence, is called learning by doing. They are useful for motor skills and routine repetitive actions. After initial observation, the trainee is allowed to try the job and show the trainer how much he has mastered it. As a result the supervisor is able to correct him immediately.
2. **Simulation.** This technique duplicates as far as possible, the actual conditions faced in a job. It is useful for developing interpersonal skills for employees in HR or marketing departments. Such methods are put in practice for training senior level managers.
 - A Case, involving an actual event or situation is prepared and trainees analyse the event with an objective to identify the problem, trace out its cause and suggest remedies. This considers as its base the idea of decision making under uncertainty.
 - Management games are devised on the model of a business situation. Trainees are divided into groups who represent management of different competing companies. They make decisions as if in real life situations.

- The in-basket or in-tray exercise, is centered around the incoming mail of a manager. The trainees are given a tray or file with a set of letters and files containing administrative problems of the company. The trainees are required to sort them and take decisions within a given time frame. The decisions taken by the trainees are compared. Results of their decisions are communicated as feedback to the trainees so that they can reconsider their administrative actions and behaviour style.
3. Knowledge. Training on various aspects like theories, concepts and principles are imparted to the employees. It may be conducted through lectures, seminars and conferences. It is applicable for non-motor and behaviour skills. In the lecture method employee participation is almost nil, but in the seminars and conferences there is a limited amount of interaction.
 4. Experimental. The object of this method is to help an individual understand himself and others, so that he can reflect on the dynamics of human relationships in a work situation.
 - Sensitivity training or T training aims to increase participant's insights into their behaviour and the behaviour of others by encouraging an open expression of feelings in the trainer guided T group. It seeks to accomplish increasing interpersonal openness, greater concern for others, increased tolerance for individual differences.
 - Transactional analysis is a tool of improving human relations. It identifies three ego states of human personality : parent (taught behaviour, characterised by objectivity, mutual respect and understanding), adult (thought behaviour, characterised by authoritarianism, protectionism) and child (felt behaviour, characterised by rebellious, spontaneous and even creative). Every individual has a mixture of these traits, which is for the others around him to understand and adapt.

On the basis of the objective of the training programme, the different methods in practice may be subdivided into :

Induction. This method is aimed at imparting training to new employees, acquaint them with the organisation, teach them skills required to perform the job entrusted on them.

2. **Supervisory.** Under this method supervisors are given training in administration, interpersonal relations, command and control as well as expertise in technical aspects.
3. **Technical.** This is purely training on skills relevant to the job, updating with modern technology and improved production skills.
4. **Management development.** It aims at overall development of the employees and is generally earmarked for senior level personnel.

8.5 Impediments to Effective Training

There are many constraints that turn a well designed training programme ineffective and hence act as a stumbling block in the development of the employees, namely,

- **Lack of management commitment.** An overall lack of awareness about the need and importance of training on part of the management is reflected in a training programme. As a result, though some employees are delegated with the task of training, there is no involvement the rank and file about active participation in the training.
- **Funds for training.** Companies often spend miniscule portion of their revenues on training. Worse still, in case of cost cutting exercises, the training budget is curtailed first.
- **Lack of practical skills.** Educational institutes train theoretically but the trainees seriously lack exposure to practical real life situations. Sometimes short time project assignments are inadequate to give them enough job experience.
- **Large scale poaching.** Trained work force is in great demand. The companies who invest large sums of money in training their workers expect these skills to be put to use in their business, but that is often not the case. The trained employees are lured by competing organisations at higher salaries. Financial bonds do not prevent them from such poaching.
- **Absence of industry B-school interface.** Industry experts need to communicate to the trainer organisation about their requirements and the problems encountered by them in the previous years so that effective training may be conducted as part of the curriculum.
- **Labour unions unmotivated.** It is important that employee associations and

labour unions concentrate on the need for training and equip their members to meet the challenges in the work place.

8.6 Training and Development

Increasingly employers are realising that training their human resources are vital. Traditionally about two-third of the training expenses were devoted to development of professional managers and one-third to first line workers. But now organisations are realising that they need to develop the capabilities of the front line workers just as much as the capabilities of their managers. Another aspect that has gained serious recognition among the employer is that training is just not a cost; it is an investment in the human capital of the organisation that benefits the organisation as a whole and not only the HR department. Training is the process whereby people acquire capabilities to aid in the development of the organisation. In a limited sense training provides employees with specific identifiable knowledge and skills for use on the present job. But the wider view of training focusses on training aimed at development by employees gaining new capabilities useful for both their present and future jobs.

8.7 Introduction: Performance Appraisal

Performance appraisal is the systematic evaluation of individuals with respect to their performance on the job their potential for development. It is defined as, formal, structured system of measuring and evaluating an employee's job, related behaviours and outcomes to discover how and why the employee is presently performing on the job and how he can perform more effectively in the future, so that the employee and the organisation gains. Performance appraisal has many facets. It is an exercise in observation and judgement, it is a feedback process, an organisational intervention.

8.8 Objective of Performance Appraisal

Performance appraisal is the assessment of individual's performance in a systematic way. But performance is not restricted to an employee's past alone, his future potential to do a job has relevant consequences on his performance appraisal.

8.9 Purpose of Performance Appraisal

Data relating to performance appraisal are recorded and stored for a variety of purposes. Some of them may be listed as follows :

- Effect promotions based on competence and performance.
- Confirm the services of employees on probation, upon their satisfactory completion of the said period.
- Assess training and development needs of the employees.
- Decide upon pay rise in absence of regular pay scales, or for a reward.
- Communicate to the employee the worth of his performance and motivate him.
- Provide for a formal dialogue between superior and subordinate on the basis of formal documentation of performance.
- Determine transfer needs and identify personnel suitable for specific jobs.

It may be considered that performance appraisal serves the dual purpose of evaluation and development. Evaluation is done for the purpose of compensation, staffing and promotion decisions, while development is aimed at following employee feedback and personnel research.

8.10 Process Performance Appraisal

Step 1. Establish Standards of Performance Appraisal. The objective of such a programme is to arrive at the right blend of corrective measures as well as improvement upon existing standards. The appraisal process begins with the establishment of objective performance standards, evolved out of job analysis and job descriptions.

Step 2. Communicate Job Expectations. Once the performance standards are established they have to be communicated to each employee. It is not only sufficient that such information has been sent to the employee. Communication is complete only when, the employee has understood the expectation of the employer from him and has given due feedback on it.

Step 3. Design the Appraisal Programme. A well planned appraisal programme is designed on the following grounds :

- Formal or informal appraisal. Formal appraisal, conducted for employee evaluation takes place at regular intervals, at specific time periods. Informal appraisal is more a way of communication started by the employer, to get employee feedback.
- Individual or group appraisal. Certain jobs require group or individual appraisal. But in case of group appraisal it is essential that the group is cohesive.
- Immediate supervisors are most appropriate appraisers, but sometimes even subordinates are roped in for assessing the performance of supervisors. Peer evaluation, though useful is subject to various biases. Sometimes, clients may be used to act as appraisers, specially for employees who are all the time dealing with them. Self appraisal is an effective way to bring about development through appraisal.

Step 4. Measure Actual Performance. The actual performance of the employee is measured on the basis of information available from various sources, such as :

- Personal observation.
- Statistical reports.
- Oral reports.
- Written reports.

Each has its own strengths and weaknesses, a combination of them is therefore the ideal source. However the appraisers bias should in no way be allowed to interfere in the appraisal process.

Step 5. Measure Actual with Standard. The attempt is made to observe differences between actual and standard performance and note the differences, favourable or otherwise.

Step 6. Discuss Result with Employee. Though one of the most challenging jobs of any supervisor is to communicate to the employee his appraised report, but it is one of the most necessary part of the job of being a supervisor. The success of the supervisor lies in the fact that how well he is able to convince the employee about his weaknesses and compliment him on his strengths.

Step 7. Initiate Corrective Action. The areas that need correction are identified and measures required for correction undertaken. Corrective action may be of two types, one is immediate and deals with the symptoms, that puts things back on the tracks and the other is basic and delves into causes, which seeks to adjust differences permanently.

8.11 Methods of Performance Appraisal

There are various instruments by which performance appraisal can be put to practice, each method however, is most suitable for certain kinds of organisations and certain groups of employees. There are various schools of thought, as regards the classification of the methods of performance appraisal.

According to Decenzo and Robbins, Appraisal methods are of three categories,

- I. Absolute Standards : In this method the subjects are not compared with any other person.
 - (a) Essay Appraisal
 - (b) Critical Incident Appraisal
 - (c) Checklist
 - (d) Graphic Rating Scale
 - (e) Forced Choice
 - (f) BARS
- II. Relative Standards : In this method, individuals are compared against other individuals.
 - (a) Group Order Ranking
 - (b) Individual Ranking
 - (c) Paired Comparison
- III. Objective Standards : In this method employees are evaluated by how well they accomplish a specific set of objectives, that have been determined as critical in the successful completion of their job.

According to Aswatthapa, Appraisal methods are of two categories.

- I Past Oriented :
 - (a) Rating Scales
 - (b) Checklist
 - (c) Forced Choice
 - (d) Forced Distribution
 - (e) Critical Incident Appraisal
 - (f) BARS
 - (g) Confidential Records
 - (h) Essay Appraisal

- II. Future Oriented. : (a) MBO
(b) Psychological Appraisal
(c) Assessment Centre

According to Strauss and Sayles, Appraisal methods are of two categories,

- I Traditional : (a) Ranking
(b) Paired Comparison
(c) Grading Method
(d) Forced Distribution
(e) Forced Choice
(f) Checklist
(g) Critical Incident Appraisal
(h) Graphic Rating Scale
(i) Essay Appraisal
(j) Confidential Records.

II Modern : MBO

However, what ever may be the classification, the methods need to be discussed at length for clear understanding.

- Essay Appraisal. The employee being appraised is to write a narrative describing an employee's strengths, weaknesses, [past performance, potential and suggestions for improvement. Being unstructured they are likely to vary in length and content and should be used in combination with other objective methods.
- Critical Incident Appraisal. It focusses the evaluator's attention on those key areas of the job that make the difference between doing a job effectively or ineffectively. The appraiser writes down little anecdotes that describe the employee's behaviour in his efficient performance or otherwise, it generates a rich set of information about the employee's reaction to various situations, but is cumbersome and subjective from the point of view of the appraiser.
- Checklist. The evaluator uses a list of behavioural descriptions and checks off those that apply to the employee. Once the checklist is complete it is evaluated by the HR staff and analysed after giving weightage to the behavioural characters. An example of a Checklist is given below.

Sample of Checklist Items for Appraising Salesclerks

	YES	NO
1. Are supervisor's orders usually followed?	—	—
2. Does the individual approach customers promptly?	—	—
3. Does the individual suggest additional merchandise to customers?	—	—
4. Does the individual keep busy when not serving a customer?	—	—
5. Does the individual lose his or her temper in public?	—	—
6. Does the individual volunteer to help other employees?	—	—

- **Graphic Rating Scale.** They are used to assess factors such as quantity and quality of work, job knowledge, loyalty, dependability, attendance, etc. the appraiser considers the factors and checks that point along the scale that best describes the employee. They do not provide indepth information but are less time consuming and allow inter employee comparison. An example of a Graphic Rating Scale is given below.

Sample of Graphic Rating Scale Items and Format

PERFORMANCE FACTOR PERFORMANCE RATING

Quality of work is the accuracy, skill, and completeness of work	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Consistently satisfactory	<input type="checkbox"/> Sometimes superior	<input type="checkbox"/> Consistently superior
Quantity of work is the volume of work done in a normal workday	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Consistently unsatisfactory	<input type="checkbox"/> Consistently satisfactory	<input type="checkbox"/> Sometime superior	<input type="checkbox"/> Consistently superior
Job knowledge information pertinent to the job that an individual should have for satisfactory job performance	<input type="checkbox"/> Poorly informed about work duties	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Can answer most questions about the job	<input type="checkbox"/> Understands all phases of the job	<input type="checkbox"/> Has complete mastery of all phases of the job
Dependability is	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

following directions and company policies without supervision	Requires constant supervision	Requires occasional follow-up	Usually can be counted on	Requires very little supervision	Requires absolute minimum of supervision
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- **Forced Choice.** The employee has to choose between two or more statements, all of which may be favourable or unfavourable. The appraiser's job is to identify which statement is most descriptive of the individual being appraised. The right answers that lead to the impression of the employee being most valuable to the organisation are not known to the appraised or appraiser. The key to the right answers is the HR manager's prerogative and he evaluates the individuals on the basis of the responses received.
- **Forced Distribution.** It operates under the assumption that employee performance level conforms to a normal statistical distribution. The evaluator is forced to distribute the employees on all points on the rating scale. He can not say all are doing very well or all are inefficient.
- **BARS.** Behaviourally Anchored Rating Scale technique requires a separate rating form to be developed for each job or family. The rating form contains dimensions or job factors that are specific for each different job. It combines the benefits of essays, critical incidents and quantitative ratings. The scales with anchor points are directly applicable to the job being evaluated. This aids feedback to the job holders for performance improvement and reinforcement of appropriate behaviour. Since development of BARS involved employee participation, it is easy for them to accept the feedback. The procedure of constructing the scales yields anchors that are very job specific and concrete. Though it is costly and time consuming to create BARS, but inter-evaluator reliability is better in this method compared to other conventional rating scales.

Developing BARS involves the five following steps :

- (a) **Generating Critical Incidents.** Critical incidents are those that are essential in performance of the job efficiently. For the use in this method supervisor or evaluators are asked to describe specific Critical Incidents of effective or ineffective performance.
- (b) **Developing Performance Dimensions.** The Critical Incidents are then clustered into smaller sets of performance dimension.

- (c) **Reallocating Critical Incidents.** Various Critical Incidents are reallocated dimensions by another group who also know the job in question. The reallocated Critical Incidents are clustered into various categories, with each cluster showing similar Critical Incidents. Those Critical Incidents which meet 50 to 80 per cent with the cluster as in Step (b) are retained.
- (d) **Scaling Incidents.** The Critical Incidents arrived at after step mentioned above are appropriated dimensions. Then the average effectiveness ratings for each incident are determined to decide which incidents will be included in the final anchored scales.
- (e) **Developing Final BARS Instrument.** A subset of the Critical Incidents are used as a behavioural anchor for the final performance dimensions.
 - **Group Order Ranking.** The evaluator is required to place the employee in a particular classification, such as top one-fifth, or so on. It prevents appraisers from inflating their evaluations but is unsuitable for very small groups.
 - **Individual Ranking.** The evaluator has to list the employees in order of combined merit, putting all their qualities in one basket.
 - **Paired Comparison.** It is calculated by taking the total of $n(n - 1)/2$ comparisons.

If there are 10 employees, there will be 45 comparisons. It ranks all employees in relation to all others on a one to one basis. A rank is created from the number of times each person is considered to be superior. It can however, be unwieldy, when large number of individuals are being compared.

- **Confidential Records.** It is mostly used in government departments, listing various aspects like attendance, leadership, initiative, technical ability, peer adjustment, etc. feedback to the appraised can only be given in case of a negative entry.
- **Psychological Appraisal.** Large organisation employ full time psychologists for evaluation of their employees past performance and future potential.. they follow any of the above mentioned methods, or a combination thereof to arrive at their judgement.
- **Assessment Centre.** A centralised organisation where employees have to report to be evaluated, where exercises are conducted by specialists and uniformity in appraisal standards are maintained.

- **Field Review.** To remove an bias that may have entered the system through an evaluator, this method neutralises the situation, by identifying the areas of inter-appraiser disagreement and help the group arrive at a consensus.

8.11.1 Management by Objectives (MBO)

As conceived by Drucker, MBO is a process, whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individuals major are of responsibility in terms of results expected from him and use these measures as guides for operating the unit and assessing the contribution of each of its members. It is considered to be a future oriented method of appraisal. It has been designed to overcome certain inherent problems of traditional appraisal system. The chief goal of (MBO) is to enhance superior subordinate relationship, strengthen the motivational climate and consequently improve performance.

The key features of MBO are as follows :

- Superior and subordinate get together, jointly agree upon the list of principal duties and areas of responsibility of the individual's job. It provides better functioning of a group.
- The individual sets his own short term performance goals or targets in co-operation with his superior. The superior guides the goals setting process to ensure that it relates to the realities and overall needs of the organisation. As a result the individual acquires an interest in trying to meet them.
- They agree upon the criteria for measuring and evaluating performance, in terms of the particular job situation and abilities. An individual is not rated against a fixed rating scale, that may or may not reflect the necessities of his job.
- At regular intervals superior and subordinate get together to evaluate progress towards goals agreed upon. Then the need may arise to modify their goals for the ensuing period.
- The superior plays a supportive role, and helps his subordinate on a day to day basis to achieve the agreed upon goals. He counsels and coaches.
- In the appraisal process the supervisor does not play the role of a judge, but for of an assistant to his subordinate. Emphasis is on the present and the future that can be controlled.
- The process focusses on results accomplished and not on personal traits.

This method is appropriate for technical, professional, supervisory and executive personnel. It requires enough room for discretion to make changes if needed, in setting working goals, tackle new projects and invent new ways to solve problems. Hence it is not suitable for hourly workers whose jobs are restricted in scope. However, it is problematic when used for allocating salary increases or promotions; because goal setting is individualised and incomparable with another employee or job situation.

8.12 Problems in Performance Appraisal

Being conducted by humans, performance appraisal is frequently subject to a number of errors or weaknesses, some of which are discussed below.

- Halo effect is the tendency of most raters to let the rating they assign to one characteristic excessively influence their rating on all subsequent traits. The rating scale is particularly susceptible to this method.
- Lenient supervisors assign consistently high values or scores, some others rigidly low. This is an unavoidable limitation of a subjective process.
- Centrally concentrated ratings are a very common problem. Most supervisors are reluctant to rate people at outer ends of the scale.
- Personal likes and dislikes heavily influence appraisal; specially in jobs where objective evaluation is difficult to develop.

8.13 Ways to Improve Performance Appraisal

Being a behavioural activity, performance appraisal suffers from man-oriented limitations. Hence there are no concrete ways of removing these problems. Certain measure may be undertaken that seek to minimise these problems.

- Standard Appraisal Schemes may be used for a more result oriented approach. The employee performance may be measured against some time bound predetermined targets that were previously communicated to the employee.
- Counselling sessions conducted by trained and efficient managers will help when the performance appraisal is done with the employee himself, to remove all possibilities of misunderstandings and bias.

- Multiple evaluation, rather than single evaluation, will eradicate the problem of absence of reliability due to subjective aspect of performance appraisal.

8.14 Potential Evaluation

Evaluating what an employee is capable of doing in future is potential evaluation or appraisal. Potential refers to the abilities and capabilities present in the employee but not currently being used for the job. It is the latent capacity on a person to discharge responsibility. The potential evaluation of an employee helps to decide on promotion of employees to higher levels in the job hierarchy, a job he can shoulder without being overburdened. It also assists the organisation to allocate jobs among employees as per their capabilities so that organisational responsibilities are discharged effectively. It is important to conduct potential evaluation in a scientific manner because past performance evaluation may not always reflect an employee's ability to handle a job in a higher position, as the role requirements of the two jobs may be different.

The different aspects of potential evaluation are :

- Ability to foresee future opportunities.
- Consistency in approach and performance.
- Responsive to conditions, in spite of odds.
- Person with high level of integrity.
- Broader vision and micro perception.

8.14.1 Steps in Potential Evaluation

The potential of employees can be measured by observing the following steps :

- (a) Determination of role dimensions. The process of potential evaluation starts with determining the role dimensions of the employee whose potential is to be evaluated. It is done with the help of job description, to know the responsibilities involved in the job and job specification, to understand the attributes the job holder should possess.
- (b) Determination of mechanism. Having determined the role dimensions, a mechanism to evaluate these attributes in an employee has to be evolved.
- (c) Link evaluation with other aspects. Potential evaluation should be related with the employee feedback on his previous performance, training, response to earlier job rotation, etc.

8.14.2 Potential Evaluation Matrix

Potential Evaluation, has been carried on by a large company using the following criteria :

- Conceptual Effectiveness dealing with vision, business orientation, enterprenurial orientation and sense of reality.
- Operational Effectiveness dealing with result oreintation, individual effectiveness, risk taking and control.
- Interpersonal Effectiveness dealing with networking, negotiating power, personal influence and behaviour,
- Achievement Motivation dealing with drive personal ambition, innovativeness and stability.

A 2X2 matrix is used to demonstrate the combination of performance ad potential evaluation.

POTENTIAL		Problem Children	Stars
High			
Low		Planned Separation	Solid Citizens
		Low	High
		PERFORMANCE	

(Source : S. S. Khnaka : Organisational Baheviour)

1. Planned Separation include employees who are low on potential as well as performance. They have to be improved upon or will have to finally be asked to leave the organisation.
2. Problem Children include employees who are low on performance but high on potential. In order to utilise there high potential they have to be transferred to new locations or new departments. If they still do not improve they may be considered for group 1.
3. Solid Citizens include employees who lack potential for higher jobs but are effectively performing their present jobs.

4. Stars include employees who deserve more developmental efforts. They are high on potential as well as performance.

8.15 Summary

Training is the process of teaching the new and/or present employees the basic skills needed to effectively perform their jobs. Training leads to development of the workers in to able employees and responsible citizens of a nation. Training is job oriented, that tries to bridge the gap between the skills the employee has and what the job demands. It is evident that training of all employees is essential for the overall growth and development of the workers as well as the organisation. Training can be conducted in on the job and off the job methods. The awareness of the management about the invaluable result of training is a major handicap in the success of a training programme.

Performance appraisal is the assessment of individual's performance in a systematic way. It is an exercise in observation and judgement, it is a feedback process, an organisational intervention. Evaluation is done for the purpose of compensation, staffing and promotion decision, while development is aimed at following employee feedback and personnel research. There are various instruments by which performance appraisal can be put to practice, each method however, is most suitable for certain kinds of organisations and certain groups of employees. Evaluating what an employee is capable of doing in future is potential evaluation or appraisal. Potential refers to the abilities and capabilities present in the employee but not currently being used for the job. It is the latent capacity on a person to discharge responsibility.

8.16 Questions

1. What are the various inputs required in a training process?
2. What are the barriers to effective training?
3. Write in brief about:
(a) sensitivity training (b) simulation (c) management games
4. How can a training programme be evaluated?
5. Discuss in brief about the way in which training can lead to development of employees of an organisation.

6. What is the need for conducting performance appraisal?
7. Discuss the steps to be followed in performance appraisal.
8. Write in brief about:
(a) BARS (b) essay method (c) Critical incident
9. Why does an organisation need to do potential evaluation of its employees?
10. Discuss the problems faced by an employer in performance appraisal?

8.17 Suggested Readings

Edwin B. Flippo : *Personnel Management*, McGraw-Hill

Michael Armstrong : *A Handbook of Human Resource Management*, Aditya Books

W. McGhee and P. W. Thayer : *Training in Business and Industry*, John Wiley,

Dale S. Beach : *Personnel – The Management of People at Work*, Macmillan

Unit 9 □ Industrial Disputes and Industrial Relations

Structure

9.0 Objective

9.1 Industrial Disputes

9.2 Forms of Industrial Disputes

9.2.1 Strikes

9.2.2 Lock outs

9.2.3 Gherao

9.2.4 Picketing and boycott

9.3 Causes of Industrial Disputes

9.3.1 Economic

9.3.2 Management

9.3.3 Trade Union practices

9.3.4 Legal and political factors

9.4 Methods of Preventing Industrial Disputes

9.5 Settlement of Industrial Disputes

9.6 Introduction : Industrial Relations

9.7 Importance of Industrial Relations

9.8 Different Approaches to Industrial Relations

9.9 Parties in Industrial Relations

9.10 Factors affecting Industrial Relations

9.11 Vehicles of Industrial Relation in India

9.12 Workers' Participation in Management (WPM)

9.13 Objective of Workers' Participation in Management

9.14 Forms of Workers' Participation in Management

- 9.15 Introduction : Trade Union
- 9.16 Why do Workers join Trade Unions?
- 9.17 Types of Trade Union
- 9.18 Theories of Trade Union
- 9.19 Collective Bargaining
 - 9.19.1 Collective Bargaining Strategies
- 9.20 Introduction : Empowerment
- 9.21 Conditions for Empowerment
- 9.22 Barriers to Empowerment
- 9.23 Employee Grievances
- 9.24 Source of Employee Grievances
- 9.25 Essentials of Sound Grievance Procedure
- 9.26 Summary
- 9.27 Questions
- 9.28 Suggested Readings

9.0 Objective

After studying this chapter you should be able to :

- Understand the meaning and forms of industrial disputes.
- Identify the factors that cause industrial disputes
- Consequence of industrial disputes
- Define industrial relation and delineate its scope
- Understand the importance of workers' participation in management
- Discuss the various approaches of industrial relations
- Outline the main aspect of trade union
- List the various approaches of trade unions

- Understanding the meaning of collective bargaining and the process involved
- Discuss bargaining impasse, mediation and strikes
- Define empowerment
- Review the need and different forms of empowerment
- Understand the meaning of grievances
- Identify the types of employee grievances
- Discuss the concept of industrial disputes
- Know the ways of preventing or settling industrial disputes

9.1 Industrial Disputes

The evils of industrial revolution resulted in the advent of labour legislation. The status of the worker was changed from craftsmen to wage earners as a shift in the method of production from manual to automated mass production in large scale industries. At the same time unemployment raised its head and workers were discharged by their employers at their own discretion. Workplaces were not always sufficiently protected. At this point of time the state intervention was felt necessary to ensure harmonious relation among employers and workers. The basic foundation of industrial legislation was laid for equitable distribution of profits and benefits accruing from industry between industrialists and workers and affording protection to the workers against harmful effects to their health, safety and morality.

In simple terms, dispute means difference or disagreement. according to section 2 (k) of the Industrial Disputes Act 1947, the term, 'industrial dispute' means any dispute or difference between employers and employees or between employers and workmen or between workmen and workmen, which is connected with the employment or the terms of employment and conditions of employment of any person.

9.2 Forms of Industrial Disputes

Industrial disputes may be manifested in many ways, the important ones in the context of study in India may be summarised as below.

9.2.1 Strikes

Strike is a spontaneous and concerted withdrawal of labour from production. The Industrial Disputes Act 1947 defines as, suspension or cessation of work by a group of persons employed in any industry, acting in combination or a concerted refusal under a common understanding of any number of persons who are or have been so employed to continue to work or accept employment. They are basically symptoms of industrial unrest. Strikes may be of two types.

- Primary strikes: generally aimed at the employers with whom the dispute exists. It may be in the form of stay in, sit down, pen down, tools down, go slow, work to rule.
- Secondary strikes : also called sympathy strikes. In this case the pressure is applied not against the employer against whom there is a grievance but against the third person who has good trade relations with the employer. This form is, however, not popular in India.

9.2.2 Lock outs

Lock out is the weapon available to the employer to shut down the place of work till the workers agree to resume work on the conditions laid down by the employer. Industrial Disputes Act 1947 defines lock out as, the temporary shutting down or closing down a place of business by the employer.

9.2.3 Gherao

It is a physical blockade of managers or employers by encirclement aimed at preventing the entry to or exit from a particular office. This is more of a process of humiliation. The object of gherao is to compel the gheraoed person to accept the workers demands without recourse to the machinery provided law. However, the National Commission on labour has refused to accept gherao as a form of industrial protest on the ground that it tends to inflict physical duress on the person gheraoed. Workmen found guilty or wrongfully restraining a person or wrongfully confining him during a gherao are judged guilty.

9.2.4 Picketing and boycott

Picketing is a method designed to request workers to withdraw co-operation to the employer. Here workers display signs, banners placards to draw the attention of the public that there is a dispute between workers and employers. Workers prevent their colleagues from entering the place of work and persuade them to join in the strike. Boycott aims at disrupting the normal functioning of the organisation. The striking workers appeal to the other workers to voluntarily withdraw co-operation to the employer.

9.3 Causes of Industrial Disputes

Behavioural studies by Elton Mayo have long stated that workers contentment depend on economic as well as psychological and social factors. The basic reasons behind industrial disputes may be subdivided into four factors, which are summarised below.

Worker's satisfaction in the workplace is guided to a great extent by economic consideration, but not entirely so. Recent industrial experiences show that industrial disputes often occur due to non-economic causes, depending on psychological and sociological causes with social workers. The causes behind industrial dispute can be classified into four categories :

9.3.1 Economic causes, including wages, bonus, allowances, benefits, incentives and working conditions. Historically though, most industrial disputes were rooted in economic causes. The demand for wages are never met in totality due to continuously rising costs and inflation. These result in never ending demand for upward revision of wages. On the other hand, wage differential among industrial sectors become a bone of contention among workers. But the modern trend shows the dominance of other factors being cause of industrial disputes.

9.3.2 Management practices, exploitation, discrimination among workers are major areas of dispute. The employer is often accused of violating the rights of workers, unwillingness to recognise a particular trade union and coerce workers into joining a particular trade union. The management often undergoes recruitment or grievance redressal policy changes without consulting the trade unions. The worker dissatisfaction against management stems from any incidents of discharge or dismissal by way of discrimination, or victimisation on grounds not acceptable to the unions. In addition, there may arise instances of the management's denial to consult workers in matters of recruitment, promotion, transfer, merit awards, etc. There may also be violation of norms like code of discipline, grievance procedure by the managerial personnel. The management may be unwilling to recognise a particular trade union or talk over disputes or force workers to give in to management demands. All these put together, or individually may be one of the reasons behind enraging workers and lead to industrial disputes.

9.3.3 Trade Union practices, may be the cause of industrial disputes when one organisation has more than one trade union. Inter union rivalry preventing any settlement between the employer and worker. This often leads to intra-organisational disputes, with the management conveniently taking one side. As a result the industrial disputes arise where in two groups of workers are pitched against each other.

9.3.4 Legal and political factors, become a major cause of industrial disputes because most of the trade unions in India are affiliated to some political party or the other. The national level political and their regional counterparts have a significant role in nurturing industrial disputes and preventing its simple and prompt solution.

Unfortunately Indian Labour Laws with regard to industrial relation also contain contradictions. Most trade unions are affiliated to political parties which are opposing in ideology. Very often therefore, these vulnerable aspects of labour relations are exploited by parties with vested interest to cause industrial disputes.

9.4 Methods of Preventing Industrial Disputes

The importance of preventing an industrial dispute rather than solving it is based on the basic philosophy that prevention is better than cure. A preventive machinery has therefore been evolved that includes all such measures that directly or indirectly contribute towards healthy industrial relations. The best way to prevent industrial disputes from occurring is to maintain cordial employer employee relationships. The existence of trade union, the practices of collective bargaining, the philosophy of empowerment put to practice in industrial enterprises are ways of ensuring that worker management relations are congenial for the benefit of both parties. There are legal provisions on worker employment contract, social security measures, health and safety at work place which makes it obligatory on the employer to make sure the employee is taken care of. But in addition certain technical measures like the ones noted below are provided for so that industrial dispute may be prevented.

It is essentially a proactive approach to avoid industrial disputes from taking place in any organisation. The basic machinery used in preventing industrial disputes may be listed as follows :

- Trade unions and collective bargaining. Trade union is a voluntary association of workers designed to protect and promote their interests through collective bargaining.
- Workers' participation in management. Such participation increases the influence of workers over decision making in the organisation. Workers participate in management not as individuals but as groups through their representatives.
- Empowerment. It is a process whereby the manager shares power with his subordinate. As a result, resources are shared and the employees feel more committed to the organisational output.

- Joint consultations. Consultative arrangements may be made to prevent industrial disputes in the lines of :
 - (a) Works Committee. As per the provisions of the Industrial Disputes Act, 1947, organisations employing 100 or more persons have to set up a works committee at unit level. With equal number of representatives from employer and employee sides, these are purely consultative in nature.
 - (b) Joint Management Council. It is a voluntary scheme with a minimum of 6 and a maximum of 12 members. They deal in information sharing and aim to arrive at unanimous decisions.
- Standing orders. They are a set of rules and regulations governing the employment of workers. They are binding on the organisation. Recognising the need for standardised conditions of employment and to develop industrial peace, the Industrial Employment (Standing Order) Act was passed in 1946 and which has been amended from time to time.
- Code of discipline. According to the Code of Discipline employers and employees both voluntarily agree to maintain and create an atmosphere of mutual trust and co-operation in the industry. The Code of Discipline provides that :
 - (a) strikes and lockouts can not be declared without prior notice.
 - (b) No party can take any action without consulting the other
 - (c) The existing legal machinery has to be followed.
- Welfare Officer. Section 49 of the Factories Act 1948 specifies that every factory where in 500 or more workers are ordinarily employed, at least one welfare officer must be employed to look into harmonious industrial relationships and prevent industrial disputes.

4.5 Settlement of Industrial Disputes

- Mediation and Conciliation An outsider may assist the parties in their negotiations, with the consent of both the parties. The mediator performs the messengers job and does not enforce his will or judgement on either parties. There may be three kinds of mediation :

- (a) eminent outsider
- (b) non-government board
- (c) semi-government board

It is the process by which representatives of workers and employers are brought together before a third party with a view to arrive at a mutually accepted agreement. It is instrumen by a Conciliation Officer, who enjoys the power of a civil court.

There may be a Board of Conciliation, an adhoc body with two or four members and a chairman. The board admits disputes only referred by the appropriate government.

- **Arbitration.** It is the process in which conflicting parties agree to refer their dispute to a neutral third party known an arbitrator. The arbitrator gives his judgment on a dispute, while in mediation the conciliator helps the conflicting parties to arrive at a decision. In voluntary arbitration both the conflicting parties appoint a neutral third party as arbitrator, whose judgements are not binding on these parties. In compulsory arbitration the government can force the disputing parties to go for compulsory arbitration and the judgement is binding on both parties.
- **Adjudication.** It is the ultimate legal remedy for settlement of an unresolved dispute. The appropriate Government may refer a dispute for adjudication with or without consent of the disputing parties. The Industrial Disputes Act provides a three tier machinery for the adjudication process :
 - (a) **Labour Courts.** Deals with the matters within the jurisdiction of the Second schedule of the Industrial Disputes Act, 1947 i.e., discharge or dismissal of workers, etc.
 - (b) **Industrial Tribunals.** It deals with wages, compensatory allowances, hours of work, bonus, profit sharing, disciplinary rules and ratioanlisation of workers etc. under the Third Schedule of the Industrial Disputes Act. 1947.
 - (c) **National Tribunals.** The Central Government may constitute one or more National Industrial Tribunals for the adjudication of industrial disputes which involve questions of national importance or are situated in more than one state are likely to be affected by such dispute.

However, in practice, industrial dispute relates to the differences mainly between workers and employers. It fundamentally differs from a grievance in the sense that, while grievance focusses on individual worker dissatisfaction, dispute focusses on

complaints of collective nature. The dispute must be taken up either by the union or atleast a substantial number of workmen.

9.6 Introduction: Industrial Relations

Industrial relations is concerned with the relationship between management and workers and the role of the regulatory mechanism in resolving any industrial conflict. It is said to be concerned with the systems, rules and procedures used by unions and employers to determine the reward for effort and other conditions of employment, to protect the interests of the employed and their employers and to regulate the ways in which the employers treat their employees. It is considered to be the key for increased productivity in an industrial undertaking.

9.7 Importance of Industrial Relations

Industrial relations are an integral part of social relations arising out of employer-employee interaction in modern industries, often such activities being regulated by the state in varying degrees, in conjunction with organised social forces and influenced by existing institutions. It is important in maintaining good and healthy relations between employees and employers of an organisation. By safe guarding the interests of both parties, industrial relations tries to avoid industrial conflicts. It provides opportunities to the workers to participate in decision making process, thereby raising productivity and encourage commitment. Industrial relations therefore, foster industrial peace, promote industrial democracy for the benefit of both workers and management.

9.8 Different Approaches to Industrial Relations

The scenario of industrial relations is perceived differently by different theorists and practioners. The three popular approaches to industrial relations dynamics are :

- **Unitary Approach.** Under this approach industrial relations is grounded in mutual co-operation, individual treatment, team work and shared goals. Work place conflict is seen as temporary aberration, resulting from poor management. The underlying assumption is that everyone benefits when the focus is on common interest and promotion of harmony. The advocates

of Unitary Approach emphasise on a reactive industrial relations strategy, seeking direct negotiations with employees instead of involving government, tribunals or unions. However, it is criticised on the grounds that it is a tool for seducing employees away from unionism and socialism. It is also seen as exploitative and manipulative in nature.

- **Pluralistic Approach.** This approach perceives organisations as coalitions of competing interests, where the role of management is to mediate among different interest groups. In case, in the process of mediation the management has not given due attention to the demands and claims of the employees, they may unite to form the trade union. Thus trade unions become the legitimate representatives of employee interests, seeking to achieve concessions and compromises between management and unions. The authority of the management is not automatically accepted. Conflict between management and workers is expected to yield results conducive for innovation and growth. Therefore, a strong union is not only desirable but necessary.
- **Marxist Approach.** This approach, too, regards conflict between management and workers as inevitable. Marxists see it as a product of capitalist society. Conflict arises not only because of competing interests within the organisation, but because of the division within society between those who own or manage the means of production and those who offer their labour. Trade unions are thus, considered to be labour response to exploitation by capital, as well as a weapon of social change. They focus on improving the conditions of the workers. In contrast to pluralists, marxists view state intervention via legislation to be a support for management interests rather than ensuring a balance between the competing groups. As a result, employee participation, co-operative work culture are considered to be mere techniques designed to reinforce management control.

9.9 Parties in Industrial Relations

The major parties in industrial relations are :

1. **Employees.** They are the most affected parties in industrial relations. It is their means of improving their conditions of employment, voice their complaints against grievances and exchange views with the management.

Generally, workers do not participate individually but through their associations commonly referred to as trade union.

2. Trade Unions. They redress the bargaining objective of the individual worker vis-a-vis the individual employer, to bring about an improvement in the status for the worker, by securing better terms and conditions of employment for their members.
3. Employers. The employers represented by the management is generally responsible for creating and maintaining employee motivation, leading to a committed group of efficient workers and establish mutually beneficial channels of communication through out the organisation.
4. Employers' Associations. They represent the employer in collective bargaining and develop a machinery to avoid disputes. It plays a major role in providing feedback on industrial relations and advice member organisation.
5. Government. State regulation on both employers and employees is enforced through labour courts, industrial tribunals, wage boards and various committees.

9.10 Factors affecting Industrial Relations

The factors influencing industrial relations may be internal to the organisation or wider issues which are macro in their implications.

The internal factors that affect industrial relations are :

- The attitude of management towards employees
- The attitude of employees towards management
- The attitude of employees towards unions
- The extent to which management can and wants to exercise absolute authority to enforce decisions affecting interests of employees.
- Strength of the unions and the dominating union philosophy.
- The effectiveness of managers dealing with problems related to industrial relations
- The economic condition of the enterprise, its prospects of expansion, stagnation, etc.

- The job profile, whether leads to employee satisfaction or grudge
- The organisational climate

The external factors that affect industrial relations are :

- The national face of the most dominating union
- The effectiveness of union leaders dealing with problems related to industrial relations
- The employment and pay situation—locally and nationally
- The legal framework of the nation.

9.11 Vehicles-of Industrial Relation in India

Following the ILO conventions, India has enacted several laws relating to labour matters, which can be classified in various categories :

I. Laws on Establishment

- Factories Act 1948
- Plantations Labour Act 1951
- Mines Act 1952

II. Laws on Wages

- Payment of Wages Act 1936
- Minimum Wage Act 1948
- Payment of Bonus Act 1965

III. Laws on Industrial Relations

- Indian Trade Unions Act 1926
- Industrial Employment (Standing Orders) Act 1946
- Industrial Disputes Act 1947

IV. Laws on Social Security

- Workmens' Compensation Act 1923
- Employees State Insurance Act 1948
- Maternity Benefit Act 1961

- Employees Provident Fund Act 1952
- Payment of Gratuity Act 1972

9.12 Workers' Participation in Management (WPM)

In simple words participation means interaction between concerned parties. People's participation in governance is commonly known as democracy. Workers' participation in management that crystallises industrial democracy means management of an industrial unit by the people for the people. Collective bargaining, empowerment, workers' participation are all different forms of manifestation of industrial democracy.

WPM is an elastic concept. For the management it is joint consultation prior to decision making, for workers it means co-determination, for trade unions it is harbinger of the new order of social relationship and a new set of power equation within organisations, while for the government it is an association of labour with the management without final authority or responsibility in decision making.

According to Keith Davis, Workers' Participation in Management refers to the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share in the responsibility for achieving them.

A clear and more comprehensive definition is given by the ILO, Workers' Participation in Management may be broadly taken to cover all terms of association of workers and their representatives with the decision making process, ranging from exchange of information, consultations, decisions and negotiations to more institutionalised forms such as the presence of worker member on management bodies or even management by workers themselves.

9.13 Objective of Workers' Participation in Management

The objective of Workers' Participation in Management is to

- Promote mutual understanding between management and workers that is, industrial harmony.
- Establish and encourage good communication system at all levels

- Create and promote a sense of belongingness among workers.
- Help handle resistance to change
- Induce a sense of contributing their best among the workers
- Create a sense of commitment to decisions to which they were a party

9.14 Forms of Workers' Participation in Management

The form of Workers' Participation in Management depends upon the elvels of participation. The generally accepted forms of Workers' Participation in Management in organisation are as follows :

- (a) Suggestion scheme :** under this scheme a suggestion committee is constituted consisting of equal number of members from the management and workers sides. A suggestion box is kept at an appropriate place in the organisation where workers are encouraged to put in their suggestion for improvement in the organisation. The suggestion committee periodically scrutinises the suggestion given by the workers, the good ones being accepted with the suggestor given recognition and rewards. This acts as a motivator to the workers in general.
- (b) Works Committee:** It is a mandatory regulation of the Industrial Disputes Act 1947, constituted with equal number of representatives from employees and the management.
- (c) Joint Management Council :** It may be formed at plant level and is basically consultative and advisory in nature. Though there are equal number of representatives from both employer and employee side, they are not taken seriously. They deal in matters concerning working conditions, indiscipline, absenteeism, training, safety accident prevention and welfare measure.
- (d) Board Representation :** under this scheme one or two representatives of the workers are nominated or elected on the Board of Directors. The basic underlying idea is to incorporate workers involvement in board level decisions, usher industrial harmony and good faith.
- (e) Co-partnership :** it means employees participation in the share capital. Workers are induced to buy equity shares of the company or contribute towards capital of the partnership. Workers may also be encouraged to pay in installments, advanced loans or even given financial assistance to enable them to buy equity shares.

9.15 Introduction : Trade Union

Trade unions are voluntary organisations of workers formed to promote and protect their interests through collective action. This combination tries to regulate the relation between worker and worker, worker and employer and between employer and management. Being voluntary in nature, a worker has the option of joining a trade union or not. A trade union also, has the choice of affiliating itself with an apex body of trade union or federation of unions.

9.16 Why do workers join Trade Unions?

Though the reasons behind the workers joining trade union are found to be diverse, but a common string is found among the following :

Job security. The employees feel that by joining a trade union they will be prevented from suffering due to unfair and arbitrary decisions about their employment and they will be ensured that their jobs are duly protected lay off, recall, promotion, etc.

Wage rise and other benefits. The workers often feel that their union will ensure fair wages and other benefits like, medical facility, pensions, paid sick leave, vacations and holidays, at par with other workers in the community.

Working conditions. Though there are statutory provisions regulating conditions of work, employees feel that union will ensure implementation of these legislations.

Fair Treatments. Employees tend to believe that in case of mistreatment from employer the trade union will take up the case to the management for fair judgement.

Sense of power. Individually workers may feel powerless to bring about changes that would benefit them. The combined efforts channelled through a trade union is expected to have greater impact on the employer. The collective voice of the trade union is expected to be better heard by the management.

Need to belong. The trade union provides the mechanism to bring together people not only to promote job interests but also social interactions, which instill a sense of closeness among the members of a trade union.

9.17 Types of Trade Union

There are three types of trade unions :

1. Industrial union is composed primarily of semiskilled blue collar employees in the manufacturing industry. It is also referred to as a vertical union, since it involves workers in a particular industry across all levels of hierarchy.
2. Craft union is an association of workers belonging to one craft or closely related group of occupations, spread across the company.
3. Employee association comprises of professionals and is known as fraternal union.

9.18 Theories of Trade Union

Evolutionary Theory. Referred to as theory of industrial democracy, this theory considers trade union to be an extension of the principle of democracy in an industrial sphere. It is considered to be a means by which workers can overcome managerial dictatorship.

Revolutionary Theory. According to this theory trade unions are the organising centre for providing the locus for streamlining the forces of working classes. The trade unions are instruments to overthrow capitalism, which is possible only through workers' emancipation.

Theory of Industrial Jurisprudence. According to this theory workers individually fail in their bargaining power with employers for protecting their interests. In this view, trade union is considered to be a means for workers to protect them in work.

Rebellion Theory. According to this theory trade union is a spontaneous outcome in the growth of mechanisation. This theory believes that use of machines leads to exploitation of workers. It aims to protect interest of workers in an automated industrial society.

Gandhian Approach. It is based on class collaboration, rather than class struggle. It does not consider the material well being of the worker, but also his moral, intellectual and spiritual aspects.

9.19 Collective Bargaining

Collective bargaining is a process of negotiation between representatives of management and workers for determining mutually agreed upon terms and conditions of work which protect the interest of both worker and management. It is a process in which employees work as a group seeking to shape conditions and relationships in their employment. In very simple terms, it is referred to as 'good faith bargaining'. On the whole it may be inferred that Collective bargaining develops better understanding among the employees and employers. Since a dynamic business environment needs the organisation to adapt to changes in employment conditions. It requires changes in organisational process to match changing conditions of work. Collective bargaining is an useful way in which these can be effectively brought about.

The objective of Collective bargaining is to arrive at an agreement between the management and employees so that

- cordial and harmonious relationships prevail in the organisation
- both parties do not feel exploited or threatened
- outside intervention in settling internal issues is kept at bay
- industrial democracy is promoted.

9.19.1 Collective Bargaining Strategies

The actual bargaining process depends to a great extent on the existing relationship between workers and management. The strength of the employer and the union determine the degree of co-operation that characterise their relationship. The different strategies that may be followed in the process of Collective bargaining are :

- Distributive bargaining takes place when labour and management are in disagreement over the issues in the proposed contract. It involves settling of the distributable surplus, because against of one party leads to losses of the other. It therefore, leads to a win-lose situation, lacking a holistic approach.
- Integrative bargaining aims to create a co-operative negotiating relationship that is likely to benefit both parties. The issues of bargaining involved in such a strategy are related to job evaluation, training of workers, better working conditions, etc.
- Attitudinal bargaining involves shaping of attitudes hostile to friendly, from mistrust to trust. Its need arises from any circumstances which may have lead to disturbed negotiations.

- Intra-organisational bargaining is relevant for those industries, where bargaining outcomes are found to cause differences in opinion among the employees in different departments.

9.20 Introduction : Empowerment

Empowerment is a process by which greater autonomy is provided to different individuals and groups in any organisation, even society at large, by giving the means ability and authority to do some meaningful work. In a business enterprise it means, a participative process that uses the entire workforce and is designed to encourage increased commitment to the success of the organisation. It is basically power sharing between the management and the worker, power to share resources, participate in decision making process and access to relevant information. The underlying philosophy behind empowerment is that by involving workers in those decisions which affect them, employees will become motivated and more committed, thus leading to a satisfied team of workers.

Empowerment can be affected from different dimensions, namely,

Impact of empowerment, which implies that workers should be made to perceive the need for accomplishment of the task they are engaged in.

Competence should be achieved by each worker so that his skills have yielded results in the form of the job that he is doing.

Meaningful approach to a job is achieved only when a worker is convinced that his task is worthwhile and contributes to organisational goals.

Choice is to be provided to an employee, within certain boundaries, so that the worker can use judgemental activities in completion of the task.

9.21 Conditions for Empowerment

A conducive environment will bring about empowerment that has credibility and acceptance among the work force. The different conditions necessary for successful empowerment in an organisation may be listed as follows :

1. Participation. It is a subset of empowerment. Efforts should be made to encourage workers to take initiative in the participative process. For this

reason, the bureaucratic hurdles must be kept at a distance and the employees should be trained and coached so that are able to take active part in matters of the organisation.

2. Innovation Empowerment allows employees to take decisions and implement them in the work process, breeding creativity and innovation among them. Thus management may bring about innovation by encouraging workers to try out new ideas and new methods of work practices. It must also be conveyed that failures are not to be considered as a block to no repeated experimentation.
3. Information. It is basically an important source of power. Hence employees must have free access to information which is not secretive in nature. This calls for transparency in work practices and leads to an empowered and motivate work force.
4. Accountability. It is not only sufficient to give employees some authority, it should also be coupled with accountability.

9.22 Barriers to Empowerment

Empowerment is often found to be hindered by faulty HRM policies, resulting from management which is unaware of the benefits of empowerment. Some of the common obstacles found to exist in Indian organisation with respect to empowerment are :

- Dictatorial mindset of family owned businesses and their chief.
- Organisation which have demotivated employees, reluctant to take initiatives even if it is for their own benefit.
- Some other employees exposed to prolonged autocratic control prefer the security of being told what to do and avoid the risk of taking independent decisions.

9.23 Employee Grievances

Any discontent or dissatisfaction, real or imaginary, experienced by an individual about his employer or his employment is a grievance. More specifically, any

dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the notice of the management is grievance. The employer may be communicated of such discontent orally or in writing. Grievances, if not addressed in time gives rise to discontent, frustration, poor morale and ultimately low productivity.

9.24 Source of Employee Grievances

A precise list of the reasons causing grievances can not be applicable to all workers of all industries, but considering the general sources of grievances prevalent among the employees, these are subdivided into various classes :

- I. Concerning Working Conditions
 - (a) Unsafe and unpleasant working conditions
 - (b) Inadequate toilet facilities, dirty toilets, etc.
 - (c) Non-availability of necessary raw material, tools and machines
 - (d) Misfit between worker's ability and job
- II. Concerning Management Policies and Practices
 - (a) Wage rate and payment schedules
 - (b) Incentives
 - (c) Seniority recognition
 - (d) Promotion
 - (e) Transfer
 - (f) Fines, punishment and penalty
- III. Concerning Rules and Regulations
 - (a) Organisational rules and regulations
 - (b) Civic laws
 - (c) Past practices
 - (d) Collective bargaining procedures
- IV. Concerning Personality Traits
 - (a) Fault finding attitude of supervisor

- (b) Over ambitious peer or supervisor
- (c) Mental tension
- (d) Negative approach to life
- (e) Ego problems

9.25 Essentials of Sound Grievance Procedure

Grievances need to be handled carefully or addressed satisfactorily. A formal grievance procedure provides a channel for the aggrieved employee to express and present his grievance. In order to solve the problem, it is felt that a formal grievance procedure should be adopted in all organisation so that the employee is assured that his grievance will be dealt with in a standardised manner. In addition, a formalised grievance procedure is also useful because :

- It provides a known and established method of processing grievances
- It ensures that the grievance is brought to the knowledge of the concerned authority
- It assures the employee that his grievance will be heard in a dispassionate and detached manner
- Venting his grievance and being heard gives the employee a feeling of being cared for
- The worker is not in a position to bypass his immediate supervisor in lodging his grievance
- The worker, at the same time, does not have to rely on the immediate supervisor entirely and has approach to other higher levels of management
- It acts a check against managers from taking arbitrary and biased actions against the workers
- The management is assured that the employee whose grievance is heard will not be so dissatisfied as to negatively influence the productivity of the business.

The general procedure that can be adapted to deal with employee grievance can be designed on the following steps :

1. **Timely action.** First and foremost requisite in grievance handling is to settle them immediately, as soon as they arise. Sooner the grievance is settled, lesser will be its negative impact on employee performance.
2. **Accepting the grievance.** The supervisor should try to recognise and accept the employee grievance as and when they are expressed. Acceptance, however does not necessarily mean agreeing with the grievance, it simply shows that the supervisor is open to discussion on the matter and has heard the employee.
3. **Identify the problem.** The supervisor needs to identify whether the employee grievance is simply emotional, an overtone or imaginary and help to identify the core reason.
4. **Collecting facts.** Once the problem is identified the supervisor needs to collect all relevant facts to separate the opinions and feelings from the facts.
5. **Analyse the causes of grievance.** This analysis will involve studying various aspects of the complaint, such as the employees past history, frequency of occurrence, management practices, union practices, etc. identification of the cause is the first step in solving the grievance.
6. **Taking decision.** Alternative courses of action for handling the grievance are to be worked out and evaluated with reference to their consequences on the aggrieved employee, the union and the management.

However, a sound grievance procedure must have the following characteristics.

- Legal sanctity, in conformity with the existing laws of the nation.
- Acceptability, with a sense of justice to workers and fair to management to make it acceptable to all.
- Timely, with simple to understand and easy to implement procedures.
- Trained supervisor, for effective implementation of grievance procedures.
- Follow up, by periodic review and consequent corrective actions.

9.26 Summary

Industrial relations is concerned with the relationship between management and workers and the role of the regulatory mechanism in resolving any industrial conflict. It

is important in maintaining good and healthy relations between employees and employers of an organisation. The major parties in industrial relation are employees, Employers and the government. The process of industrial relation is affected by various external and internal factors. Trade unions are voluntary organisations of workers formed to promote and protect their interests through collective action. The main reason that workers join trade union is that they feel their interests are best protected by the trade unions. Collective bargaining is a process of negotiation between representatives of management and workers for determining mutually agreed upon terms and conditions of work which protect the interest of both worker and management. In a business enterprise empowerment means, a participative process that uses the entire workforce and is designed to encourage increased commitment to the success of the organisation. A conducive environment will bring about empowerment that has credibility and acceptance among the work force.

Any discontent or dissatisfaction, real or imaginary, experienced by an individual about his employer or his employment is a grievance. Grievances, if not addressed in time gives rise to discontent, frustration, poor morale and ultimately low productivity. A formal grievance procedure provides a channel for the aggrieved employee to express and present his grievance. A sound grievance procedure must have legal sanctity, acceptability, and timely redressal. Industrial dispute relates to the differences mainly between workers and employers. There are ways of preventing it, by keeping workers content. But even then if they arise there are legal machineries to solve them.

9.27 Questions

1. What do you mean by industrial relations?
2. Discuss in brief the pluralist approach to industrial relation.
3. Who are the main parties involved in industrial relations of an organisation?
4. Why do workers join trade union?
5. What are the different types of trade unions?
6. What is the objective of collective bargaining?
7. Suggest the different strategies that may be adopted in collective bargaining.
8. How does an organisation benefit from empowerment of its employees?
9. What are the main sources of employee grievance?

10. How should an employee grievance be recorded?
11. What is an industrial dispute?
12. Why should both parties avoid an industrial dispute?
13. State the ways in which an industrial dispute can be prevented?
14. Suggest the legal steps available for solving industrial dispute?

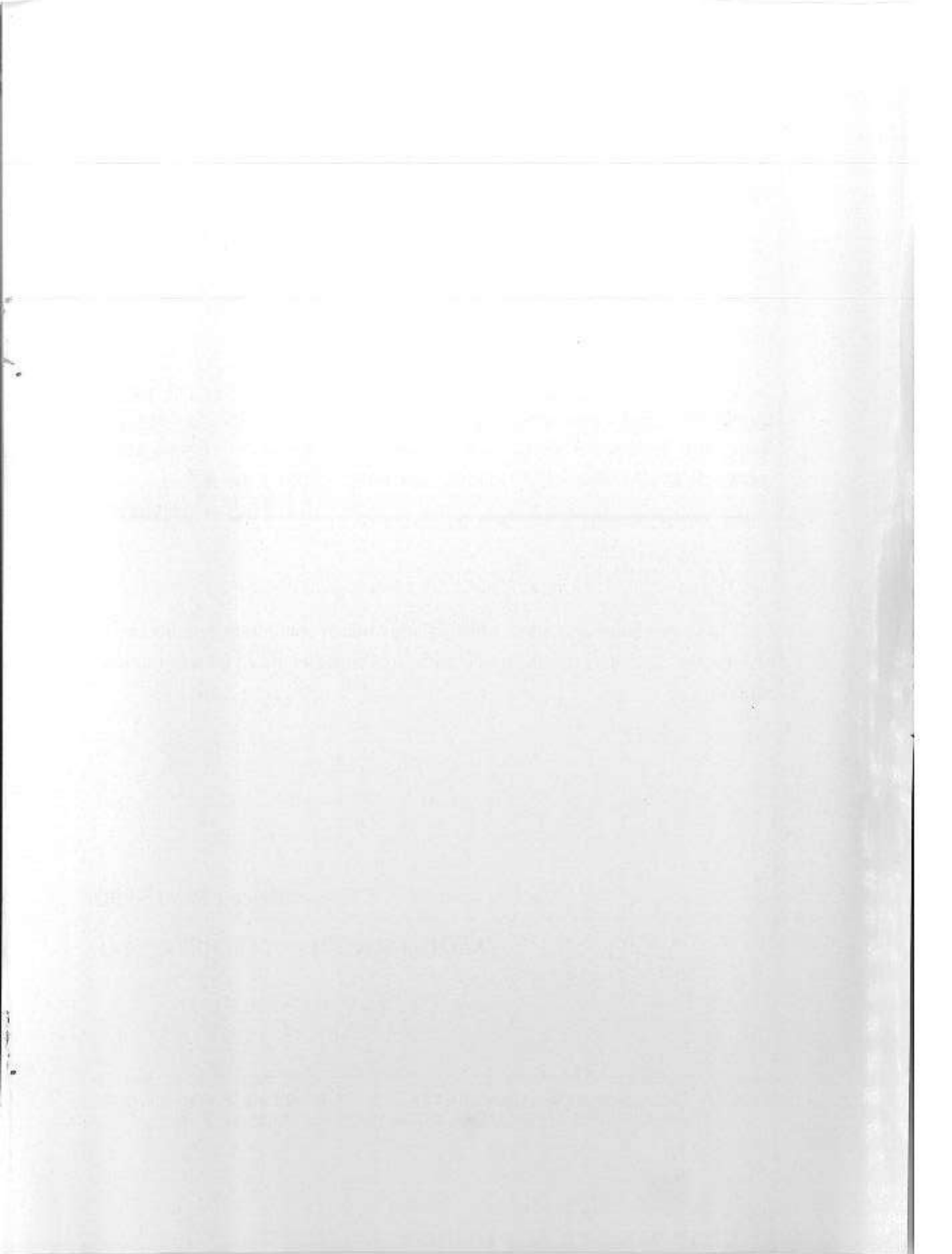
9.28 Suggested Readings

- C. B. Mamoria & S. V. Gankar : *Personnel Management*, Himalaya
- D. Yoder : *Personnel Management and Industrial Relation*, Prentice-Wall
- R. S. Davar : *Personnel Management and Industrial Relations in India*, Vikas
- M. Armstrong : *A Handbook of Personnel Management Practice*, Kogan Page
- K. Aswathappa : *Human Resource and Personnel Management*, Tata McGraw-Hill

NOTES

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears slightly aged or off-white. There is no handwriting or other markings on the page.



মানুষের জ্ঞান ও ভাবকে বইয়ের মধ্যে সঞ্চিত করিবার যে একটা প্রচুর সুবিধা আছে, সে কথা কেহই অস্বীকার করিতে পারে না। কিন্তু সেই সুবিধার দ্বারা মনের স্বাভাবিক শক্তিকে একেবারে আচ্ছন্ন করিয়া ফেলিলে বুদ্ধিকে বাবু করিয়া তোলা হয়।

—রবীন্দ্রনাথ ঠাকুর

ভারতের একটা mission আছে, একটা গৌরবময় ভবিষ্যৎ আছে; সেই ভবিষ্যৎ ভারতের উত্তরাধিকারী আমরাই। নূতন ভারতের মুক্তির ইতিহাস আমরাই রচনা করছি এবং করব। এই বিশ্বাস আছে বলেই আমরা সব দুঃখ কষ্ট সহ্য করতে পারি, অশ্বকারময় বর্তমানকে অগ্রাহ্য করতে পারি, বাস্তবের নিষ্ঠুর সত্যগুলি আদর্শের কঠিন আঘাতে ধূলিসাৎ করতে পারি।

—সুভাষচন্দ্র বসু

Any system of education which ignores Indian conditions, requirements, history and sociology is too unscientific to commend itself to any rational support.

—Subhas Chandra Bose

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