FUNCTIONAL MANGEMENT - 1

Unit-1

Introduction – functions – marketing and selling – segmentation: Approach, patterns and Segmentation procedures. Basis for segmenting consumer and industrial market product positioning. Marketing Mix.

Unit -2

Product – product classification – New product Development – product life cycle. Pricing – setting and modifying the, initiating price units, price increases, responding to price changes. Channel – Nature of Marketing channels, Functions, types of retailer’s.

Unit -3

Promotion strategies – promotion mix, measuring results. Marketing organizations – control strategies marketing strategies: for leaders for followers, market strategies for niche markers, for challengers, market strategic for global markets.

Unit - 4

Selection techniques-orientation and training-training techniques-performance appraisal-compensation –factors determining pay rate-current trends in compensation-job evaluation- Pay for performance and financial incentives

Unit - 5

Industrial relation and collective bargaining; trade unions – collective bargaining – future of trade unionism -Discipline Administration. Grievance handling – managing dismissals and separation- Labour welfare; importance and implication of labour registrations-employee health-auditing HR functions. Future of HRM function

LESSON – 1

MARKETING

CONTENTS

1.1 MARKETING INTRODUCTION

An Ancient Art, an omnipresent entity, a vital function of Business: The American marketing association sates that marketing is an organizational function and a set of process for creating, capturing, communicating, and delivering value to customers and for managing customer relationship in way that benefit the organization and its stakeholders Marketing is not a random activity; it requires thoughtful planning with an emphasis on the ethical implications of any of those decisions on society in general.

1.2 DEFINITIONS OF MARKETING

Marketing is a total system of interacting business activities designed to plan, prices, promote and distribute need-satisfying products and services to existing and potential consumers.

Marketing is the delivery of a standard of living to society.

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

For a managerial definition Marketing has often been described as "the art of selling product", but people are surprise when they hear that the most important part of marketing is not selling! Selling is only the tip only tip of the marketing iceberg.

Peter Drucker, a leading management theorist, puts it this way: There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or services fits him and sells it. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or services available.

American Marketing Association offers the following definition: Marketing is the process of planning and executing the conception, pricing, and distribution of ideas, goods, and services to create exchanged that satisfy individual and organization goals.

In general Marketing is described as

- An Art
- A Science
- A System
- A Business Function
- A Practice
- A Philosophy
- A Process

And many things more. Each of these descriptions is no doubt valid and does highlight some aspect of marketing. But, none of these give a complete picture of marketing or the needed practical direction for an actionable understanding of marketing.

1.3 MARKETING MANAGEMENT FUNCTIONS

Marketing management function

1. Marketing information
2. Marketing research projects
3. Marketing segmentation
4. Distribution cost analysis

Product and pricing

1. Product research
2. Product development
3. Packaging
4. Branding
5. Pricing
6. Warranties
7. After sales services

Planning and control

1. Sales forecasting
2. Marketing mix
3. Annual marketing plans
4. Budgeting and control

Promotion (Marketing communication)

1. Management development and control of sales force
2. Advertising and publicity
3. Sales promotion devices
4. Exhibition and trade fairs
5. Public relations
6. Government relations

Distribution (physical distribution)

1. Channel choice and decisions
2. Transport
3. Warehousing
4. Insurance
5. Order processing
6. Protective packaging
7. Inventory control

Marketing management has to perform the following chief functions of marketing:

1) knowledge of demand. i.e., customer needs unmet so far, and how the demand can be developed.
2) Obtaining demand, i.e., getting orders,
3) Fulfilling order, i.e., achieving a profitable turnover, and
4) Ensuring satisfaction of customer needs, i.e., aiming at new and /or repeat business.

1.4 THE DIFFERENCE BETWEEN SELLING AND MARKETING

Before discussing the marketing concept in detail, let us analyse the difference between selling and marketing. Marketing is much wider and much more dynamic than selling. Selling revolves around the purpose of selling is therefore to sell what is made rather than make what the customer wants. Selling starts with the existing products of the corporation and views business as a task of somehow disposing them off. Marketing, on the contrary, starts with the customers-present and potential – and views business as a task of meeting, on the needs of the customer by producing and supplying those products and services that would meet such needs.

SELLING	MARKETING
1. Selling starts with the seller, and is preoccupied all the time with the needs of the seller and the seller's existing universe.	Marketing starts with the buyers are focuses constantly on their needs.
2. Seller is the centre of the business universe.	Buyer is the center of the business universe; activities follow the buyer and his needs.
3. Emphasis is on saleable surplus available with the corporation	Emphasis is on identification of a customer need/market opportunity. The aim is to convert customer needs into products.
4. Concerns itself with just the tricks and techniques of getting the customers to part with their cash for the products available with the salesman.	Concerns itself with fulfilling the needs of the customers.
5. Views business as a 'goods-producing process'.	Views business as a 'customer-satisfying process'.
6. Overemphasis's the 'exchange' aspect, without caring for the 'value satisfaction' inherent in the exchange.	Concerns itself primarily and truly with the 'value satisfactions' that should flow to the customer from the exchange.

7.seller's requirement and preference dominates the formulation of the 'marketing mix'	Buyer determines the shape the 'marketing mix' should take.
8. The firm makes the product and then figures out how to sell it.	'The product' is determined by the buyer. The 'product' is the consequence of the marketing effort; the marketing effort leads to products that the customers actually want to buy in their own interest.
9. Emphasis is on staying with the existing technology and reducing costs.	Emphasis is on innovation in every sphere; on providing better value to the customer by adopting better technology.
10. Distribution functions are perceived as mere extensions of the production function.	Distribution functions are seen as vital services to be provided to the customer, keeping customer's convenience in focus.
11. Sellers' motives dominate marketing communications.	Marketing communications is looked upon as the tool for communicating the benefits/satisfactions provided by the product.
12.Cost determines the prices	Consumer determines prices; price determines costs.
13. Emphasis is on 'somehow selling; there is no coordination among the different functions of the total marketing task.	Emphasis is on integrated marketing; covering all the 4 ps.

14. ‘Selling’ views the customer as the last link in the business.	‘Marketing ‘views the customer as the very purpose of the business; sees the business from the point of view of the customer; customer consciousness permeates the entire organization- all departments and all people in the organization – all the time. All are organized around the marketing function.

1.5 MARKETING MIX

Marketing mix is major concept in modern marketing and involves practically everything that a marketing company can use to influence perceptions favorably towards its products or services so that consumer and organizational objectives are attained. Marketing mix is a model of crafting and implementing marketing strategy. Prof. The term marketing mix became when Neil H Borden published his 1964 article ‘The concept of marketing mix”. Neil H. Broden first used the term “marketing mix” in 1949 to include in the marketing process

A marketing mix is the combination of the elements of marketing and what role each element plays in promoting your products and services and delivering those products and services to your customers.

Elements of a marketing mix:

Product: The product or services offered to your customer their physical attributes, what they do, how they differ from your competitors and what benefits they provide.

Prices: How you price your product or services so that your price remains competitive but allows you to make a good profit. How price plays a role in your marketing strategy with respect to differentiating your products or services from your competitors’.

Place (Also referred to as Distribution): Where your business sells its product or services and how it gets those product or services to your customers. May also be used in your marketing strategy to differentiate you from your competition

Promotion: The methods used to communicate the features and benefits of your products or services to your target customers.

QUESTIONS FOR DISCUSSION

1. **What do you mean by marketing management?**
2. **Discuss various functions of marketing?**
3. **Compare and contrast selling and marketing?**
4. **What is marketing mix?**

LESSON – 2

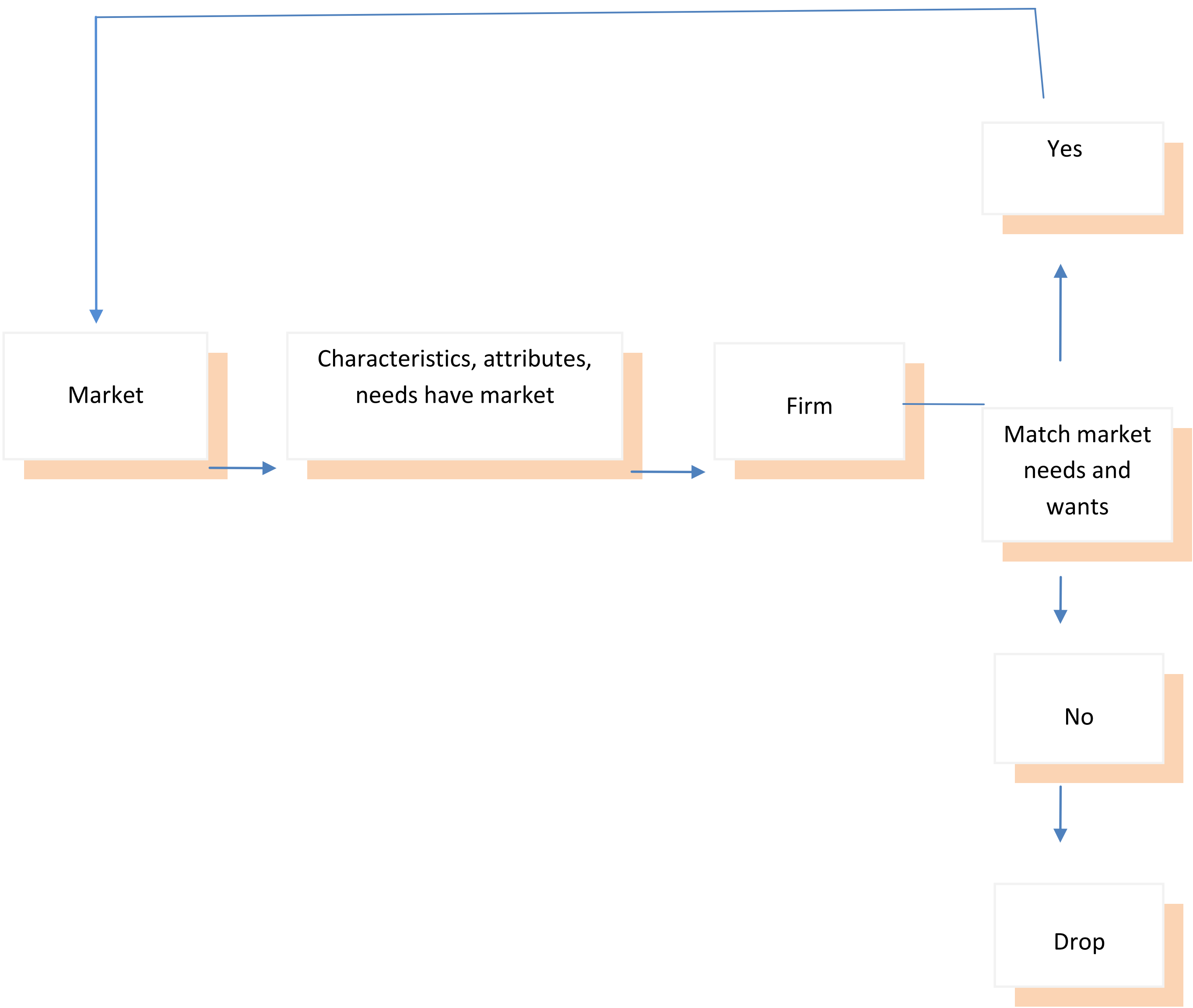
MARKETING SEGMENTATION

CONTENTS

2.1 MARKETING SEGMENTATION

Once after deciding on the different components of the marketing mix the marketer has to focus on the market. The market in total has the potential to absorb the product of yours but the reception that the total market may give for your product may not be the same because of differential needs and wants. In such occasion the marketer has to think of segmental marketing and not mass marketing (considering the whole market as one segment or your market)

For this the organizations must identify the group of customers toward whom it will direct the product. The organizations asses the needs of all customers in the market so as to find their appropriate part of it. The concept of marketing segment for new products is relatively new. Figure given below indicates this market-oriented concept. This market can then be evaluated on a very definitive basis. Through market segmentation, various groups of potential buyers of the new product, each with its own set of buying desires or requirement, are identified.



By identifying the market and its characteristics for new products in this manner, a firm benefits in two ways. First, the needs of the market are identified and therefore can be marched with the proposed new product; the market needs can be examined in terms of the degree to which products currently on the market are fulfilling these needs. Needs of marker segments that have low levels of satisfactions can be evaluated in terms of the proposed new specific characteristics for the new product can be developed. These desired attributes can be designed and funded to satisfy the different parts of the market.

2.2 CONDITIONS FOR PRODUCT SEGMENTATION

It many appear that the golden rule for new product success is no matter what else you do, be sure to segment. Although market segmentation is important, there is such a thing as over-segmentation. It is probably better to segment than not to segment, but market segmentation for a new product should be done only when the factors, benefits, and costs allow.

The first is size. The market segments identified must be large enough to be worth considering. The smallest segment that should be considered is one that, if saturated, would result in meeting the sales and /or profit goals established for the new product. Effective segmentation does require considerable time and costs; therefore, it would not be worthwhile to isolate a market segment for the new product that is not large enough to afford the expense.

BASES FOR NEW PRODUCT SEGMENTATION: A large number of variables can be used in effective segmentation for most new products. Most of them and their categories for consumer products are listed in table 1. As indicated, these can be grouped into four major classes; 1. Demographic 2. Geographic 3. Psychological 4. Product-related variables. Of course, not all variables are appropriate for every market. This relevancy by market type will be discussed latter in this chapter.

To these segmentation classes, groups of people, firms, or government units can be assigned so that the total market is categorized into segments. As illustrated in figure 3, the firm can then develop a new product and its marketing mix to appeal specifically to a particular segment or segments.

SELECTION OF VARIABLES: A segmentation variable and its components are the basis for the divisions of a market into segments. Now product segmentation variables are characteristics useful for segmentation.

In deciding which segmentation variables should be used for a particular market, several factors should be considered. In evaluating these factors, one should keep in mind that the choice of the appropriate segmentation variables is a critical step in sound market segmentation for the new product. Its importance becomes even more evident when one considered the need for good market segmentation for new product success. The factors preciously discussed with respect to conditions for product segmentation are similarly important in variable selection. The variables should be selected for market size.

SEGMENTATION:

APPROACH: There should be an approach to segmentation. Five conditions must exist for segmentation to be meaningful:

1. A marketer must determine whether the market is heterogeneous. If the consumers' product needs are homogeneous, then it is senseless to segment the market.
2. There must be some logical basis to identify and divide the population in relatively distinct homogeneous groups, having common needs or characteristics and who will respond to a marketing program me.
3. The total market should be divided in such a manner that comparison of estimated sales potential, costs and profits of each segment can be estimated.
4. One or more segments must have enough profit potential that would justify developing maintaining a marketing program me.
5. It must be possible to reach the target segment effectively. For instance, in some rural areas in India, there are no media that can be used to reach the targeted groups. It is also possible that paucity of funds prohibits the development required for a promotional campaign.

As more and more identifying characteristics are included in segmenting the market, the more precisely defined are the segments. However, the more divided a market becomes, the fewer the consumers are in each segments. So at least in theory, each consumer can be considered as a separate segment. An important decision for the marketer is how far to go in the segmenting process. A market riche is composed of a more narrowly defined group of consumers who have a distinct and 'some what complex set of needs. A niche market is smaller in size but may prove to be quite profitable if served properly. Consumers in a riche are ready to pay a premium to the marketer who best satisfies their needs. For example, G4 Power Mac computers serve the needs of a riche market; whole peas serve rather large market segments.

PATTERNS AND PROCEDURES OF SEGMENTING MARKET

Basically, there are three strategic options available to marketers:

Undifferentiated Marketing, Differentiated Marketing, Concentrated Marketing

1. **Undifferentiated Marketing:** This strategy involves ignoring any differences among consumers and offer one product or services to the entire market. This strategy of mass marketing focuses on what is common in the needs of consumers rather than what is different. For more than 90 years, Coca-Cola offered only one product version to the whole market and hoped that it would appeal to everyone Undifferentiated marketing provides cost economies.
2. **Differentiated Marketing:** The marketer decides to enter several market segments or niches and develops separate offers for each. For instance, Maruti produces different models of cars for various segments; Nike offers athletic shoes for different sports and Coca-Cola and Pepsi offer different versions of their soft drinks. Companies producing toiletries are offering different versions of toilet soaps for dry skin, oily skin and normal skin. These companies expect higher sales volumes by offering product versions and a stronger position within each segment. Differentiated marketing strategy increases costs considerably.
3. **Concentrated Marketing:** Strategy of concentration appeals to companies with limited resources. In this situation, the company targets a segment and goes for a large market share instead of a small share in a larger segment. Recycled paper producers, such as Wizard India, focus on the market for greeting cards or wedding cards. Oshkosh Trucks is the largest producer of airport rescue trucks. Concentrated segment, it may become quite tough foe the smaller company.

Undifferentiated or mass marketing is more appropriate for uniform products or when most buyers have the same taste and react to marketing efforts in the same way. Products such as salt, sugar or steel etc. are examples where undifferentiated marketing is used. Concentrated marketing makes more sense when the company resources are limited. Differentiated strategy is more appropriate when products can vary in design or features such as autos, cameras and computers etc. when producers of the same product category use segmentation; mass-marketing or undifferentiated marketing could be very risky and dangerous foe a company. However, when others use undifferentiated or mass marketing strategy, differentiated marketing can gain much advantage for a company.

PATTERNS OF SEGMENTATION: The marketer can build market segment in many ways. One of the ways is to identify preference segments. Suppose ice cream buyers are asked how much they value sweetness and creaminess as two product attributes, three different patterns can emerge.

1. **Clustered Preferences:** The market might reveal distinct preference clusters, called natural market segments. The first firm in this market has three options. It might position in the center, hoping to appeal to all groups. It might position in the largest market segment. It might develop several brands, each positioned in a different segment. If the first firm develops only one brand, competitors would enter and introduce brands in the other segments.
2. **Homogeneous Preferences:** A market where all the consumers have roughly the same preferences. The market shows no natural segments. The marketer predicts that existing brands would be similar and cluster around the middle of the scale in both sweetness and creaminess.
3. **Diffused Preferences:** consumer preferences may be scattered throughout the space, indicating that consumers vary greatly in their preference. The first brand to enter the market is likely to position in the center to appeal to most people. A. Second competitor could locate next to the first brand and fight for market share, or it could locate in a corner to attract a customer group that was not satisfied with the center brand. If several brands are in the market, they are likely to position throughout the space and show ral differences to match consumer-preference differences.

BASIS FOR SEGMENTING CONSUMER AND INDUSTRIAL MARKET: Selecting the right segmentation variable is critical. For example, small car producers might segment the market on the basis of income but they probably would not segment it on the basis of political beliefs or religion because they do not normally influence consumers’ automobile needs. Segmentation variable must also be measurable to segment the market accurately. For example, segmenting the market on the basis of intelligence would be difficult because this characteristic cannot be measured accurately. Marketers can use one or more variables to segment the market.

2.3 TYPES OF VARIABLES

A company that wishes to use a segmentation approach to successfully market a new product can select from a wide variety of segmentation variables. Demographic segmentation variables are the broadest and most widely used set of characteristics to segment markets. They include age, family size, education level, family life style, income, nationality, occupation, race, sex, and social class for dividing the consumer market. In the industrial market, commonly used demographic variables are number of employee’s volume of company sales, amount of profit, and product line. Wide use of this group of variables also occurs in the government market, such as type of agency, degree of autonomy in decision – making, size of budget.

Basis for Segmenting Consumer Markets: Different variables are used to segment consumer markets. Broadly speaking, segmentation variables fall under two categories: consumer characteristics or consumer responses. The most popular bases for market segmentation include geographic factors, demographic factors, psychological characteristics, behavior of individuals, benefits, use situation variables, benefits sought and combination of several segmentation bases called hybrid formats, such as demographic/psychographic profiles, geo-demographic variables etc.

Geographic Segmentation: Geographic segmentation location of consumers is usually the starting point of all market segmentation strategy. The location of consumers does help the company in planning its marketing offer. These geographic units may be nations, states, regions, areas of certain climatic conditions, urban and rural divide. The assumption is that consumers in a particular geographic area have identical preferences and consumption behaviour. For example, people in West Bengal have different food habits and dress code than people in South India. Exporters often segment the market as Western countries, African countries and CIS countries etc.

Demographic Segmentation: Demographic characteristics are commonly used to segment the market. Factors such as age, sex, education, income, marital status, family size and social class etc. are used singly, or in a combination, to segment a market. Shaving products for women are based on the demographic variable of gender. Toy manufacturers such as Funskool and Mattel toys segment the market on the basis of age of children. Auto manufacturers segment the market by considering income as an important variable. Producers of refrigerators, washing machines, microwave ovens etc. take income and family size as important variables is segmenting the market. Ready-to-wear garment producers often segment the market on the basis of social class. Examples are Chirag Din, Arrow. Van Heusen, Louis Philippe, Levi and others. In general, the social class can represent lower, middle and upper class depending on education, income and status etc. for example, an engineer and a clerk are considered as members of different social classes.

Psychographics Segmentation: When the segmentation is based on personality characteristics, it is called psychographics segmentation. Consumers have a certain self-image and this describes their personality. There are people who are ambitious, confident, aggressive, impulsive, modern, conservative, gregarious, loners, extrovert, or introvert etc. some motorcycle manufacturers segment the market on the basis of personality variables such as macho image, independent and impulsive. Some producers of liquor, cigarettes and apparel etc. segment the market on the bias of personality and self-image. Marketers, often are not concerned about measuring in the market either have the characteristic or want to have it.

Lifestyle: It is an indicator of how people live and spend their time and money. What people do ‘in their spare time is often a good indicator of their lifestyle? Consumers in different countries and cultures may have characteristic lifestyles for example, Indian women are more home-focused, less likely to visit restaurants, more price-sensitive, spend time preparing meals at home and are found of movies.

PRODUCT POSITIONING: Positioning is the perception of a brand or product it brings about in the mind of a target consumer and reflects the essence of that brand or product in terms of its functional and non-functional benefits as judged by the consumer. Nestlé’s Maggi noodles has been success fully positioned as the “two minute” noodle in the minds of target consumers and has created a distinctive brand image, HUL’s soap Lux is the “beauty soap” of female film stars and Dettol is the antiseptic foe minor nicks and cuts. BMW car is positioned as the ‘ultimate driving machine”. As markets become more crowded and competitive with similar types of products, consumers rely more on the product’s image than on its actual characteristics in making their buying decisions.

The right positioning is probably more important to the ultimate success of a brand than are its actual attributes. Marketers sometimes assign different images to the same product or service in different market segments or at times, reposition the same product without actually making it any different physically. They attempt to create a distinct position for their brand so that consumers perceive it as being different and occupying a niche no other product does and thereby try to create a product images congruent with the relevant self-image of the target consumers. Marketing strive to differentiate their products or services by emphasizing attributes that they claim to be better able to satisfy consumer needs and wants than competing brands.

2.4 BUYER BEHAVIOUR

Buyer behavior is a comparatively new field of study. It is the attempt to understand and predict human actions in the buying role. It has assumed growing importance under market – oriented or customer – oriented marketing planning and management. Buyers ' markets for many products and the growth of consumerism and consumer legislation since 1960 have created special interest in buyer behaviour and the market place.

Buyer behaviour is defined as "all psychological, social and physical behaviour of potential customers as they become aware of, evaluate, purchase, consume, and tell others about products and services.

"Each element of this definition is important:

1) Buyer behaviour involves both individual processes and group processes.
2) Buyer behaviour is reflected from awareness right through post – purchase evaluation indication satisfaction or non – satisfaction, from purchases,
3) Buyer behaviour includes communication, purchasing and consumption behaviour, Consumer behaviour is basically social in nature. Hence, social environment plays an important role in shaping buyer behaviour, and
4) Buyer behaviour includes both consumer and business buyer behaviour.

Buyer behaviour includes the acts of individuals directly involved in obtaining and using economic goods and services including sequence of decision processes that precede and determine these acts. Actual purchase is only a part of the decision process. In buyer behaviour we consider not only why, how, and what people buy but other factors such as where, how often, and under what conditions the purchase is made. An understanding of buyer behaviour is essential in marketing planning and programmers. In the final analysis buyer behaviour is one of the most important keys to successful marketing.

DETERMINANTS OF BUYER BEHAVIOUR: Buyer behaviour is a process. Potential customers are subjected to various stimuli. The customer is regarded as a black box as we cannot see what is going on in his mind. He responds to the stimuli or input and may purchase some product or service of interest to the marketing management. The model of buyer behaviour is stimulus – response model. Response may be decision to purchase or not to purchase.

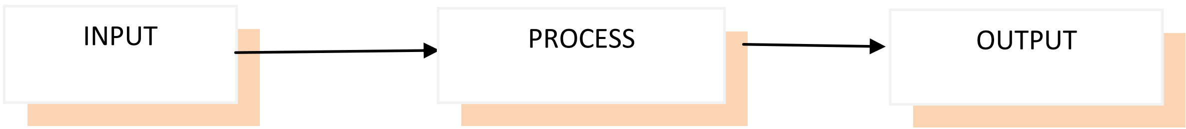
Under the system behaviour, we have (1) inputs, (2) processing, (3) outputs, (4) feedback loop. The objective of the process is, of course, expected satisfaction or service.

KOTLER'S CONSUMER BUYING BEHAVIOUR MODEL: A consumer's decision to buy a product or services is the result of interplay of many forces stimuli. The starting point the marketer's stimuli in the form of product offering through some promotional method, available at some outlets at a price. The marketing stimulus for the product includes locating target marks and segmentation of market as per the customer's. The marketing and environmental stimuli enter the buyer's mind through cultural, social, personal, and psychological factors. When the marketing and other stimuli come in contact with buyer, his decision process is initiated. The marketer has to correctly read the buyer's conscious behaviour to stimulate positive repines. Every person has his/her distinct set of standard of judgments which is reflected in every individual. However, there is some commonality between all of us which make a marketer to classify and analyze the consumer behaviour. These are known as similarities or universals.

2.5 CONSUMER BUYING PROCESS

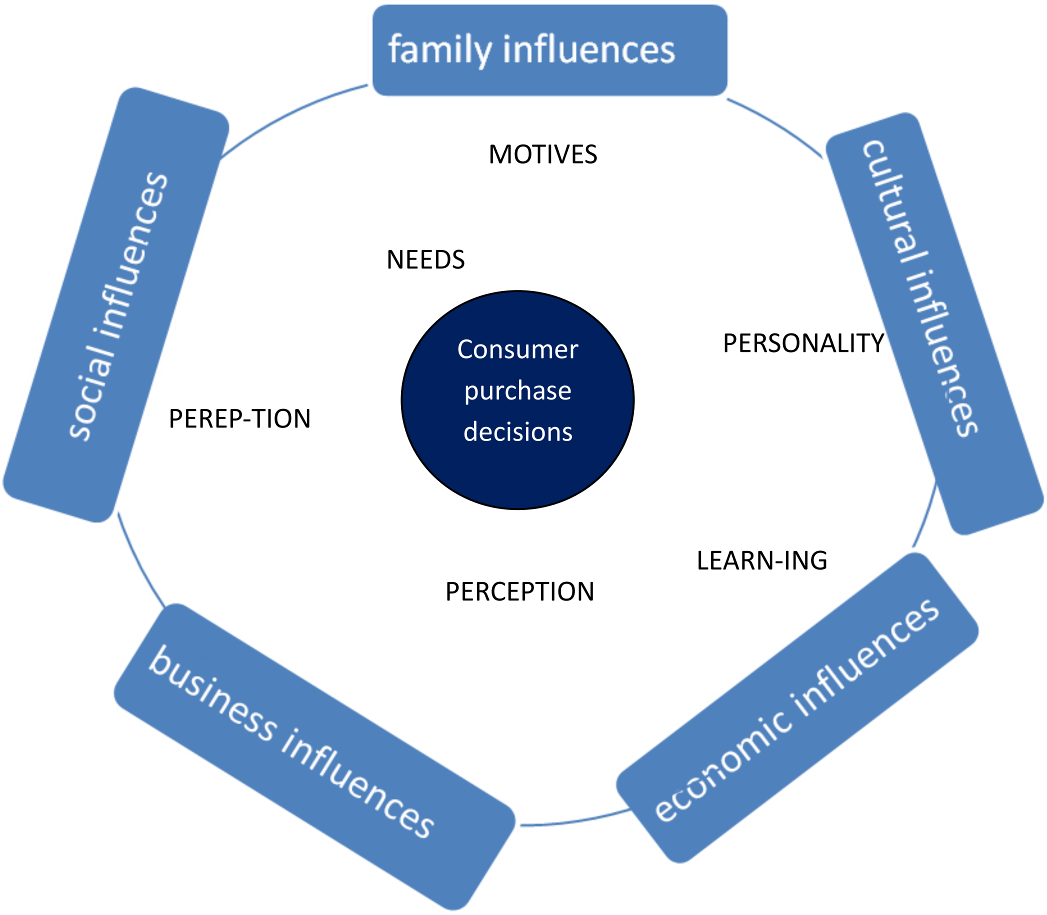
This is an import process which has as a vital role in consumer behaviour study. This is the first essential step to understand consumer behaviour. The objective of study of consumer buying process is to know how a consumer makes his decision regarding of an option from or more attractive choices.

The buying process is the process of decision – making leading to a purchase function. It represents a problem – solving approach. The mechanism is the same as in any processing activity in which we supply some input followed by the processing activity and finally the output comes before us.



During the last two decades, numerous models of consumer behaviour depicting the buying process have been developed. All these models treat the consumer as a decision – maker who comes to the market place to solve his consumption problems and to achieve the satisfaction of his need

The simple model given in figure is composed of three stages – 'Input, process and output'. Input is a stimulus variable, namely, the firm's marketing efforts and the social environment. The firm's marketing efforts are designed to positively expose, inform and influence consumers. These efforts include product/service itself, advertising, price strategies, distribution network, and in fact in fact all marketing functions. For example, when a company introduces a new brand of detergent powder or a television set, it may run a series of radio commercial with supporting press advertisements. The social environment serves as a non – commercial source of consumer information and influence which is not under the direct control of the firm. It includes reference groups and individuals, members of family, social class and castes, and the like. Both stimulus variables influence consumers and the buying process.



QUESTIONS FOR DISCUSSION

1. **What is segmentation? What are the requisites for effective segmentation?**
2. **Discuss the various basis of marketing for consumer and industrial markets?**
3. **What is positioning?**
4. **Discuss, the steps in positioning?**

LESSON – 3

PRODUCT

CONTENTS

3.1 PRODUCT

Introduction: Taking a narrow perspective, a product can be defined as a set of attributes assembled in a distinct and identifiable from. One can distinguish a product by a commonly understood generic name such as salt, steel, computer, entertainment, or crèche. Other attributes such as brand name and any added services are not a part of this description; for instance, both Dell and Zenith are the same product

The need of marketing is to have a more comprehensive definition of product to understand clearly that consumers don't really buy attributes. What consumers really buy are specific benefits that they perceive as solutions to problems and satisfactions for their needs. Thus, consumers want the instant sticking benefit, and not just a thick liquid-filled tube named Fevi Kwik. It is important to appreciate that any product feature can be meaningful only to the extent it delivers and expected benefit and satisfaction. Therefore, a product that provides the benefits can be some other alternative than just a tangible good. For example, to relieve pain there can be several alternatives other than pain killer drugs.

According to Philip Kotler "A Product is anything, tangible or intangible, which can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want." Thus, a product can be a physical entity (e.g., computer, shirt, or soap), or a services like Insurance, Bank products or beauty treatment.

3.2 PRODUCT MANAGEMENT

In simple terms, product management means managing the various product lines/products and the overall product mix of the company. Product management is also known by the terminology, product policy. Product management tackles issues such as:

- How many different product lines should the firm accommodate? How can the different lines be grouped for effective management?
- Within a product line, what should be the composition like? What should be the relationship among the various members in the line?
- How to position these products in the market? What is the distinction the products should be endowed with?
- What should be the brand policy? Should there be individual brands or family brands? What should be the approach to brand extensions?
- How to develop strong brands and build brand equity?
- How to plan for new product so that in the long run the firm retains a healthy product portfolio?
- How to handle the products going through different stages of their life cycle? What are?
- The strategic treatments they require?

Out of the above, product differentiation and positioning, management of brands, and new product development, are discussed in separate chapters. We shall discuss the remaining topics in this chapter. Before we proceed to a detailed discussion of these topics, let us understand some basic facts/terminologies associated with product.

WHAT IS PRODUCT? WHAT ARE ITS COMPONENTS?

Let us now turn to some fundamentals about the product. As mentioned at the very beginning, it is by offering something to the consumer that the firm begins its marketing job. This ‘offering’ is the product. The job of marketing is to marketing is to make the product and customer meet. When the product completely wins over the customer, it marks the consummation of marketing.

3.3 MAIN TASKS IN PRODUCT MANAGEMENT

- Appraisal of each product line and each product/brand in the line.
- Decisions on packaging
- Product differentiation and positioning
- Managing brands and developing brand equity
- New product development
- Managing product quality
- Managing the PLC of products/brands

3.4 PRODUCT CLASSIFICATION

Product can be grouped under one of the two general categories. Consumer product are those that we buy for our personal of family use or consumption Organization products represent those products that firms and institutions buy to produce, to resell, or to run day-to-day operations. Consumer products are purchased to satisfy personal needs and wants, and organization buy products to accomplish organizational objectives. People buy some types of consumer products in which their feelings seem to play a dominant role in decision-making. Organizational products are said to be rational in purchase orientation and have nothing to do with feelings.

From the description above, it is apparent that same products can be consumer products and organizational products. For instance, when we buy a computer for personal use, it is a consumer product. But when a business entity or educational institution buys a computer for every day office use, it is considered an organizational product. Therefore, in the final analysis it is the buyer's use intention that determines a product is classified as a consumer product or an organizational product.

This classification is important to determine the segments of customers who the marketer decided to target in a certain market. This will influence the pricing, promotion, and distributions. It needs to be emphasized that marketing efforts needed for personal consumers and organizational customers would be different in several important ways.

The fact is that such a classification will have its impact on the entire marketing mix. A number of approaches have been used to classify consumer products. Traditionally, products have been classified on the basis of attributes such as durability and intangibility; or as consumers' product and industrial products.

3.5 CONSUMER PRODUCTS

Based on durability and tangibility, there are three categories:

1. **Durable goods** are tangible product and usually services extensive use over prolonged periods of time, such as washing machines, footwear, autos, and clothes. Durable goods require a varied mix of promotional efforts, depending on whether theyre bought by personal consumers for personal of family use, or organizational customers for its operations. Sales of durable goods are generally not as fast as in case of non-durable goods, though margins in durable goods are usually high. Some durable goods require more personal selling. Warranties, and after sales services
2. **Non-durable goods** are also tangible goods but usually get consumed in one or a few used such as soap, when flour, candy, or soft Drin, Non-durable goods are purchased and consumed on an ongoing basis and purchased without much effort. The market makes them available in a many locations as possible; margins are low, and advertising and sales promotion is have to development top –of-the-mind recall, trial, and brand preference.
3. **Services** are intangible, inseparable, variable, and' perishable products. A consumer cannot touch, smell, or taste them. Consumers can only experience them during or after delivery. Services quality assurance and services provider credibility are important aspects for consumers. Examples of some services are auto repair, beauty care, overnight courier, tour operators, etc.

The most widely used approach to classifying consumer goods puts them under four categories; convenience products, shopping products, specialty products, and unsought products. This approach is focused on considering characteristics of how consumers generally go about purchasing them.

1. **Convenience Products:** Products of this category are relatively inexpensive, consumed regularly on an ongoing basis, and purchased frequently. Consumers involvement in such products purchased is low and they buy them with little effort without making comparisons of available brands, such as eggs, bread, salt, matches, bakery products, flour, petrol, soft drinks, etc. Event when a preferred brand in this category is not available conveniently, consumer will readily buy a substitute brand. Sales promotions in this category can cause significant brand switching.

   Marketing strategy for convenience products has several implications. It is important for marketers to make them available in a large number of retail outlets. Sales turnover is high and margins per unit are relatively low. Marketers have to spend large amounts of money for advertising and sales promotions because they expect hardly any promotional support from retailers. In fact, the product to stand out among many similar brands, particularly in large stores and supermarkets, and also in rural stand out among many similar bands, particularly in large stores and supermarkets, and also in rural markets where the literacy rate is very low.

2. **Shopping products:** These are items foe which consumers willingly devote considerable time and effort because of their involvement in market in marketing the purchase, such a appliances, furniture, second hands autos, music systems, TV, ready-to-wear garments, cameras, mobile phones etc. consumers are concerned about the retail outlet. These are products that generally last for a fairly long time and are less frequency purchased. Compared to convenience products are relatively more expensive but most consumers are not particularly brand loyal.

   Marketing adopt a selective distribution strategy and make shopping product available in fewer outlets, unlike convenience products. Since these products are purchased less frequently, their sales turnover is comparatively lower, and resellers expect large gross margins per unit. Such products are backed up with large outlay on advertising, sales promotion, and personal selling to advise customers. Usually, producer and reseller extend mutual cooperation for providing spare parts, service, and promotional activities.

3. **Specialty Products:** Products of this category have one or more unique and differentiated characteristics, and consumers seem to have strong brand loyalty. For such products, sufficient numbers of consumers are willing to make considerable effort in buying because of their high involvement, such as original paintings, designer dresses, luxury cares, professional cameras and expensive watches, paintings, designer dresses, luxury cares, professional class Nikon camera, and Apple computer have achieved specially products status among many consumers. Consumers plan such purchases with deliberation and they know exactly what they want and will not accept any substitutes. Buyers do not compare different alternatives and search out reseller who carry product they are looking for.

   Marketers distribute specialty items mostly through a limited number of outlets and manufactures often deal directly with appointed dealers. Specialty products are purchased infrequently, sales turnover is lower, and resellers require relatively lighter gross margins. Promotional efforts are limited to advertising in high-end glossy magazines. There is often cooperative advertising and names of all the dealers frequently appear in ads.

4. **Unsought Products:** This category includes those products or services that consumers do not generally think of buying, or about which they are not aware, such as emergency repairs, emergency drugs, and insurance are some examples. Marketers undertake advertising to make people aware of the products they sell, and also use personal selling. Sometimes personal selling takes the form of pressure selling to persuade customers to buy unsought products. Formerly, encyclopedias available in print were viewed as unsought products and people generally did not think of buying them. Now these are available on per-recorded CDs at low cost, or as bundle software with some brands of computers.

3.6 THE NEW-PRODUCT DEVELOPMENT DECISION PROCESS

Product plan is the first step for an entire marketing programme. It is a wider term and includes product development also. Product plan has been defined as "the act of marketing out and supervising the research, screening, development and commercialization of new product; the modification of existing lines and the discontinuance of marginal or unprofitable items." The top management, including specialists, takes decision on product planning. It involves the following steps

The product supplied to the market both consumer or industrial meets the need and want of the market. However the same is not sustainable as the behavior of the consumer/customer is dynamic which is subject to change over a period of time. This necessitates for constant innovation of the product to match requirements of the market. This brings in a need for a new product. A product may be entirely new to the market or new to the company. In both the cases the development of new product has to follow the following steps. They are

1. **Idea generation**
2. **Idea screening**
3. **Concept development and testing**
4. **Business analysis**
5. **Market testing**
6. **Product development**
7. **Commercialization**

1. **IDEA GENERATION:** Product planning starts with the creation of product ideas. The continuous search for new scientific knowledge provides the clues for meaningful idea formation. Ideas may also originate from consumers, salesman, middlemen, scientists, technologists, consultants etc.
2. **SCREENING:** It means critical evaluation of product ideas generated. After collecting the product ideas, the next stage is screening of these ideas. The main object of screening is to abandon further consideration of those ideas which are inconsistent with the product policy of the firm. The product ideas are expected to be

favorable and will give room for consumer satisfaction, profitability, a good market share market share, firm's image etc. all the ideas cannot be accepted, because certain product plans need huge amount of investments, for certain plans raw materials may not be available, certain plans may not be practicable etc. many of the ideas are rejected on account of many reasons and thus eliminate unsuitable ideas. Only promising and profitable ideas are picked up for further investigation.

3. **CONCEPT DEVELOPMENT AND TESTING:** It is the stage where the features that are screened above are conceptually assembled into an usable product. Here the actions are done in paper and not the real making of the product which will be done at later stage. The developed concept needs to be critically tested among would be customer so that the acceptance can be mapped. It may also lead for improving by taking the idea from the customer group.

4. **BUSINESS ANALYSIS:** This stage is an evaluation of product idea in depth to determine its financial, competitive marketing situations etc. market analysis involves a projection of future demand, financial commitment and return therein etc. financial specialists analyses the situation by applying break-even analysis, risk analysis, etc. business analysis will prove the economic prospects of the new product.

5. **PRODUCT DEVELOPMENT:** The idea on paper is converted into product. The product is shaped corresponding to the needs and desire of the buyers. Product development is the introduction of new market in the present market. new or improved products are offered by the firm, to the present markets so as to satisfy better the present customers, laboratory tests, technical evaluations etc., are made strictly on pilot models.

6. **TEST MARKETING:** By the test marketing, we mean, what is likely to happen, by trial and error method when a product is introduced commercially into the market. These tests are planned and conducted in selected geographical areas, by marketing the new product. The reactions of consumers are watched, it facilitates to uncover the product fault, if any which might have escaped the attention in the development stage. By this, future difficulties and problems are removed. This type of pre-testing is essential for a product before it is mass produced and marketed. Sometime, at this stage, management may take decision to accept or reject the idea of marketing products.

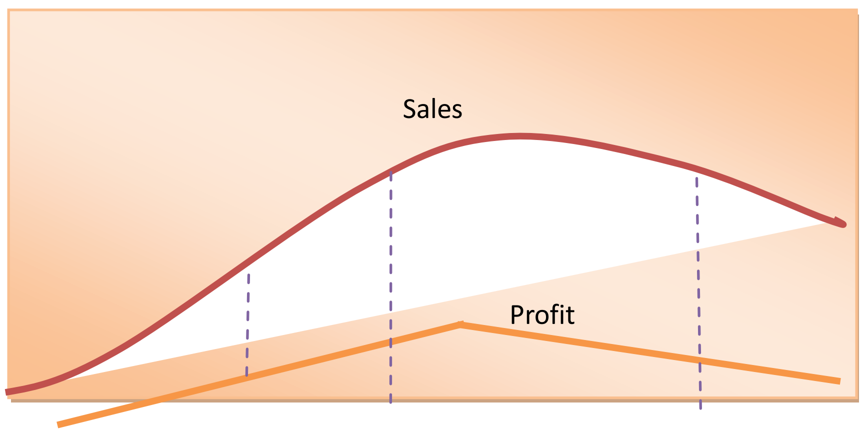
7. **COMMERCIALISATION:** This is the final stage of product planning. At this stage, production starts, marketing programmed begins to operate and product flow to the market for sale. It has to compete with the existing products to secure into the markets; and like human beings, has a life span- product life cycle.

3.7 MANAGING PRODUCT LIFE CYCLE

A company's positioning and differentiation strategy must change as the product, market, and competitors' changes over the product life cycle (PLC). To say that a product has a life cycle is to assert four things:

1. Product have a limited life
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Product requires different marketing, financial, manufacturing, purchasing, and human resource strategies in each life-cycle stage.

PROCUT LIFE CYCLE



Introduction growth maturity decline

Time

PRODUCT LIFE CYCLES: Most product life-cycle curve is portrayed as bell-shaped. This curve is typically divided into four stages; introduction, growth, maturity, and decline.

As every being has life, a product has its life. When a product idea is commercialized, the product enters into the market and competes with the rivals, for making sales and earning profit. Products, like human beings, have length of life. This has been describe as life cycle in human beings and when applied to products, it is called as product life cycle. The product life cycle is generally termed as product market life cycle, because it is related to a particular market. For instance, an old product in the market of Bombay may have a new life in a remote village. The product life cycle may be shot foe some product and along for some other products. The period may differ from product to product. But the product passes through the stages, collectively known as product life cycle.

Every product moves through a life cycle, having five phases and they are:

INTRODUCTION: This is the first stage in the life of a product. This is an infant stage. The product is a new one. The new product, or significantly “a product that opens up an entirely new market, replaces and existing products, or significantly broadens the market for an existing product.” The initial stage needs greater amount foe investment. In this stage, the product is introduced into the market and market and made available to be the customer with a slow rise in sales. The profit may be low, because of heavy advertising and sales promotion in order to stimulate the demand.

GROWTH: The product satisfies the market. In this stage, a product gains acceptance from the part of consumers and businessman. Sales of the product increase. Profit also increases. This is the stage where competitors appear along with substitute products in large number. Previous buyers continue in their purchase and new buyers appear. Firms may find it difficult to meet the demand. The success of firms depends upon the deficient manufacturing and distributing systems of the product.

MATURITY: At this stage, keen competition increases. Sales continue to increases for a while, but at a decreasing rate. Competitors go for mark-down price by increasing advertising deals. Market expenses increases, even after market-down prices, which enable to face competition. Thus, profit is thinned. Additional expenses are involved in product modification and improvement in

The marketing mix or/and product mix or style changes, to attract the customers and retain the market. Overall marketing effectiveness becomes the key factor in this stage.

SATURATION: In the saturation stage, the sales are at the peak and further increase is not possible. The demand for the products is stable. The rise and fall of sale depend upon supply and demand. At this stage, a replacement of product is needed, because the sale of the existing product cannot be increased.

DECLINE: When sales start declining, buyers go for newer and better products. This is because of many reasons-technological advances, consumer shifts in taste, increased competition etc. at this stage, the product cannot stand in the market; many firms withdraw from the market, when sales and profit decreases. Price becomes the competitive weapon. Under such a situation, forms shift their attention to other products. The product become out of date and fashion. Then the firm will drop the product from the product line.

We can use the PLC concept to analyze a product category a product form washing detergent, a product liquid detergent or a brand ex. Godrej Ezee. Not all product exhibit a bell-shaped PLC. Three common alternate patterns are shown in figure

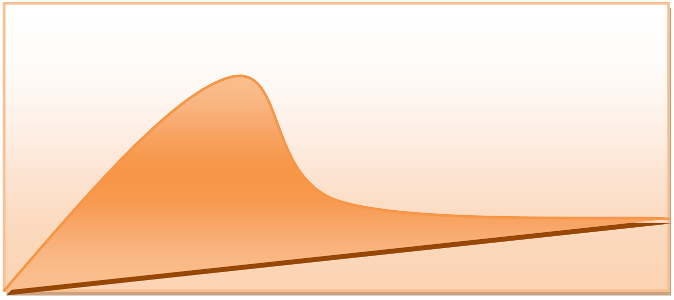
1. Growth-slump-maturity, often characteristic of small kitchen appliances such as handheld mixers and bread makers. Sales grow rapidly when the product is first introduced and then fall to a “petrified” level that is sustained by late adopters buying the product for the first time and early adopters replacing it.

2. Cycle-recycle pattern in figure often describes the sales of new drugs. The pharmaceutical company aggressively promotes its new drugs and this produces the first cycle. Later, sales start declining and the company give the drug another promotion push, which produces a second cycle.

3. Another common pattern is the scalloped PLC in figure. Here sales pass through a succession of life cycles based on the discovery of new-product characteristics, uses, or users. The sales of products like parachutes, hosiery, shirts, carpeting, boat sails, automobiles tires – that continue to be discovered over time.

(a) Growth-slump-maturity pattern

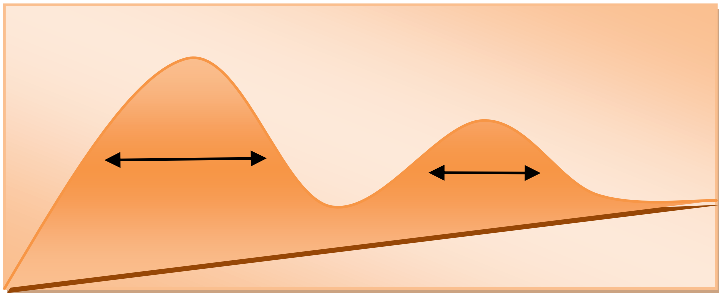
Sales volume



Time

(a) Cycle-recycle pattern

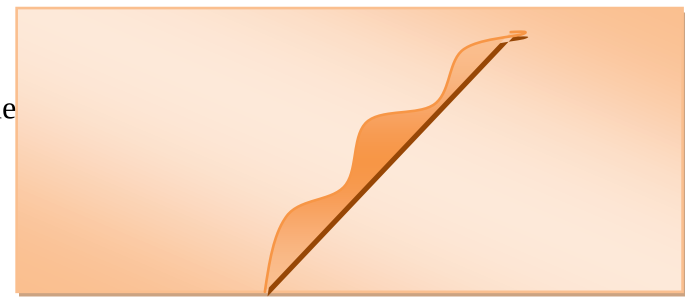
Sales volume



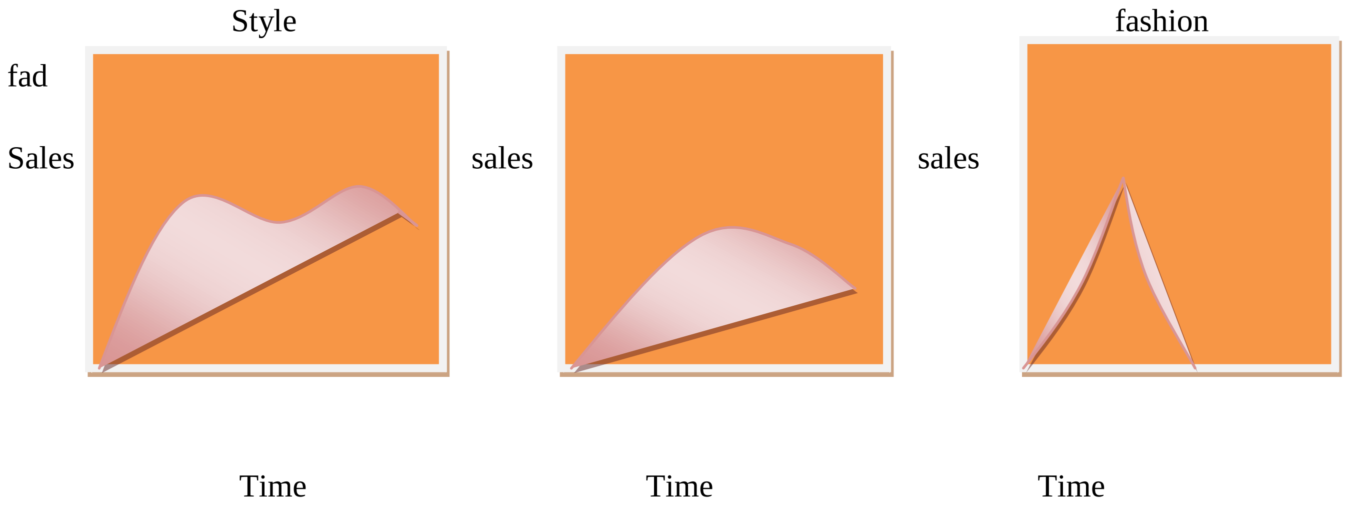
Primary cycle Recycle

(b) Scalloped pattern

Sales volume



Time



STYLE, FASHION, AND FAD LIFE CYCLES: We need to distinguish three special categories of product life cycles – styles, fashions, and fads. A style is a basic and distinctive mode of expression appearing in a field of human endeavor. Styles appear in homes (colonial, surrealistic, abstract). A style can last for generation and go in and out of vogue. A fashion is a currently accepted or popular style in a given filed. Fashions pass through four stages: distinctiveness, emulation, mass fashion, and decline.

The length of a fashion cycle is hard to predict. One point of view is that fashions end because they represent a purchase compromise, and consumers start looking for the missing attributes. For example, as automobiles become smaller, they become less comfortable, and then a growing number of buyers start wanting larger cars. Another explanation is that too many consumers adopt the fashion, thus turning others away. Still another is that the length of a particular fashion cycle depends on the extent to which the fashion meets genuine needs, is consistent with other trends in the society, satisfies societal norms and values, and keeps within technological limits as it develops.

Fads are fashions that come quickly into public view, are adopted with great zeal, peak early and decline very fast. Their acceptance cycle is short, and they tend to attract only a limited following who are searching for excitement or want to distinguish themselves from others. Fads fail to survive because they don't normally satisfy a strong need. The marketing winners are those who recognize fads early and leverage them into products with staying power. Here's a success story of a company that managed to extend a fad's life span:

QUESTIONS FOR DISCUSSION

1. **What you mean by product management?**
2. **Define a New product?**
3. **Explain the product classification?**
4. **Discuss the consumer products?**
5. **Explain the new product development process?**
6. **Discuss the product life cycle?**

LESSON – 4

PRICING

CONTENTS

4.1 PRICING

INTRODUCTION: Price setting is a very critical area in marketing mix decisions of a company. The meaning given to price sometimes creates pricing difficulties. It is the only element that generates revenues for the company, and all others involve only costs. The aim of marketing is to facilitate satisfying exchanges between the marketer and consumers at a profit

Price represents the value that is exchanged in a marketing transaction. A marketer usually sells a specific combination of need-satisfying product or service, and additional services like warranty or guarantee etc. Donald Lichtenstein, Nancy M. Ridgeway, and Richard G Niemeyer say that in most marketing transactions prices is very evident, and buyers and sellers are aware of the value that each must part with in order to complete the exchange. However, price may not always be in monetary terms. Barter is the oldest form of exchange and still used occasionally for a variety of goods between countries.

4.2 SETTING AND MODIFYING PRICES

The steps involved in price setting include:

1. Development of pricing objectives
2. Determination of demand
3. Estimation of costs
4. Examining competitors’ costs, prices, and offers
5. Selecting a piecing strategy
6. Selection of pricing method
7. Final price decision.

1. **Development of pricing objectives:** In the beginning of this chapter various pricing objectives have been looked at. Development pricing objectives is necessary because all subsequent decisions are based on objectives. Objectives must be consistent with company’s overall objectives and marketing objectives. As stated earlier, companies generally have multiple pricing objectives keeping in view their short-term and long-term interests. No company can remain satisfied with just one unchanging pricing objectives. All companies typically alter their pricing objectives over time in response to changes occurring in the market-place. In terms of priority of objectives, most companies set their pricing objectives in terms of profit optimization, market share return on investment.

2. **Determination of demand:** Demand determination of a product is the responsibility of marketing manager, aided by marketing research personnel and’ forecasters. Demand and competition typically that can be sold in a specified period. These estimates help in examining the relationship between product’s price and quantity likely to be demanded.

   The demand curve for most products, there is inverse relationship between price and the quantity demanded. Higher the price, lower the demand and vice versa. As price goes down, the quantity demanded goes up. When the price is raised, the quantity demand goes down. This fundamental relationship continues as long as the marketing environment, consumers buying power, willingness to buy and authority to buy remain stable.

Assessing Price Elasticity of Demand: prices elasticity of demand helps in examining the extent of demand sensitivity to changes in prices and reflects the percentages change in quantity demand relative to percentage change in price in case the demand is elastic, the percentage changes in demand due to a small change in prices is much greater than in case of inelastic demand. If demand is elastic, lowering of pieces by a company will generate more revenues as long as costs related to manufacturing and marketing so not rise out of proportion. In case the demand is inelastic, where there is a small raise in piece, say, there will be no significant change in demand. For essential products, such as water supply, quantity electricity, and cement etc., where the price is raised from (P1) TO (P2) there will be no significant change in segment cars, or furniture etc., the quantity demanded decreases considerably form (Q1) to (Q2) if the prices rises sharply from (P1) to (P2). Increasing competition, consumers are becoming more sensitive to prices. Customers' prices sensitivity varies and demand curve reflects the probability of what product quantity the target market is likely to purchases at different prices elasticity can change over time and over price ranges. It can also be different for a price decrease than a prices increase because elasticity is the result of consumer behaviour. Generally, customers' show very high levels of price sensitivity in can of products that they buy frequently or products that cost more. They are less price-sensitive to low cost items or those they buy infrequently. For some types of products, consumers consider initial purchase cost, operating cost, and maintenance cost for the total period of ownership. Thus, a car may be priced higher, but it may give high fuel efficiency, and involve low maintenance cost. Customers often consider the total costs of ownership and in such cases may show less price sensitivity to initial purchase cost. Generally, customers with higher incomes show less price sensitivity products that are viewed as positively distinctive; have more quality, prestige, and exclusiveness.

3. **Estimation of costs:** Over the long run, prices must exceed average unit costs to earn a profit. Cost set the lower of price. The reality of free market economy is such that customers now pass up certain brand names in case they pay less without sacrificing quality. The purpose of price setting foe a company is to set a price to cover costs

involved in a product's production, selling and distribution and some desired level of profit for its efforts and risk. A product's costs set the lowest point below which a company would not set price and demand sets a ceiling on the price.

Fixed costs do not very with changes in the number of units produced or sales revenues. The cost of hiring a production facility does not change is a company switches form one shifts in 24 hours, or because the company sales its total increased produced quantity. Average fixed cost is calculated by dividing the fixed costs by the total number of units produced.

Variable cost, as the name suggests, vary directly with the level of product quantities produced or sold. Such as, the extra costs that occur because of wages for a second shift, the costs of more raw materials, and electricity, etc., to produce more quantities represent variable costs. Variable costs are usually constant per unit. The average variable cost per unit produced is calculated by dividing the total variable costs by the number of units produced. The average variable cost is typically relatively high at the start but gradually declines as a company achieves efficiencies in production and purchasing. The average variable cost again rises at some company hires more worker and purchasing. The average variable cost again rises at some point in time as company hires more workers and purchases materials to produce more units.

Total cost is the sum of total fixed cost and total variable cost. Average total cost in the sum of average fixed cost and average variable cost. The average total cost can be determined by dividing the total cost by the number of units produced.

Marginal cost refers to the additional cost that a company incurs for producing one additional unit of a product is the units produced increases, the average fixed cost falls. The average variable cost and average total cost fall, till it reaches as a specific point with increased production and then increases. As long as the marginal cost remains less than the average total cost, the average total decreases. A rise in marginal cost above average total cost also raises the average total cost. A company management must examine average total cost, marginal cost, and other costs before setting the price of a product.

4. **Examining Competitors' Costs, Prices and Offers:** Examining the market demand and company costs, a range of possible prices can be considered. However, the company must also examine the cost, prices and possible responses of competitors in the industry. Learning, competitors, costs, prices, and offers is an ongoing function of marketing research. When one company dominates and industry, it may set the tone for price decisions in the industry, such as De Beers Consolidated Mines Ltd., or Intel in case of computer processors. The company must appreciate that other companies in the industry can change their prices in reaction to prices set by the company. Obviously, the nearest competitors are the first choice to consider for setting a price. The first step is to ascertain what positive differentiation features the company's offer contains and not offered by the nearest competitor. The second step is to a ascertain the worth of additional positive features to consumers and this worth should be added to the competitor's price to set the company's product price.

   If the worth of positive differentiation features of competitor's product is more and the company's product does not have those features in its offer, then the value should be subtracted from competitor's price for setting the company's product price. This exercise can help whether to keep the price higher, or lower than the competitor, or the same.

5. **Selecting a Pricing Strategy:** A pricing strategy is a course of action framed to affect and guide price determination decisions. These strategies help realizing pricing objectives and answer different aspects of how will price be used as a variable in the marketing mix, such as new product introductions, competitive. More than one pricing strategy may be selected to address the needs of different market or to take advantage of opportunities in certain markets.

6. **Selection of a Pricing Method:** After selection of the pricing strategy or strategies to accomplish the pricing objectives, a company decides about a pricing method. A pricing method is a systematic procedure for setting the prices on a regular basis. The pricing method structures the calculation of actual price of a product based on considerations of demand,, costs, and competition.

7. **Final Price Decision:** Final price setting is guided by company's pricing policies. The final price is se according to company's pricing objectives and the needs and wants of target to accomplish the marketing and company objectives.

4.3 INITIATING AND RESPONDING TO A PRICE CHANGE

One of the key pricing decisions revolves around initiating price change and responding to pricing changes. We will discuss the discus the issue of initiating a price change by analyzing the reasons for such a change.

Initiating a Price Change: The marketing manager initiates a price change for various reasons. These reasons include a change in cost or an attempt to bring about a change in cost by changing the overall volume; a desire to increase market share; a desire to penetrate a new market or reach a new level of the existing market; an attempt to use a price change in one product to increase sales of another one in a product line; a change in the general market situation, and an attempt to discourage a competitors from entering the market. The marketing manager should ask the following questions before initiating a pricing change.

In all pricing situations, the essential task of a businessman is to predict the reactions of customer potential consumers to his price, the reaction of his trade channels to different alternative prices, and competitor's reaction to the pricing moves.

4.4 REACTING TO A COMPETITIVE PRICE CHANGE

The marketing manger should try to find out the reasons for competitor's price changes. If he can figure out what objective a competitor is trying to achieve by a price change, he can plan well and decide his response strategy. He should also take note of the implications of competitor's as well as decrease in price levels.

If it is an increase then he stands to lose only possible additional profits and may gain physical volume sitting tight with his present price; if it is a cut, he stands to lose volume, market position and profits. If it is a short run move, to clear out an overstock, for example, he can probably rode it out without drastic action. If the trade is highly price conscious, the marketing, manager cannot wait to see what happens and should react quickly. If the competitor out weights heavily on financial strength, the firm may not be able to afford the risks of a price war with him, although he probably will not take drastic action if the marketing manager merely meets his new price. He should try to find out answer to the following questions mentioned in the box before responding to a competitor's price change.

4.5 INCREASE IN PRICES

Very often a company might face a situation where costs may have increased and it might be considering whether to increase prices in prices. In fact, prices are usually increased when the market demand is strong and the business is having a boom. Prices are never increased during periods of depression and falling incomes. While it may be true that costs may be rising at the time when prices are increased, it is the rising demand that makes I possible to pass on the increase in costs customers without any adverse effect on sales.

Manufactures are often accused of increasing prices unjustifiably. To some extent, it may be true that they behave irresponsibly and exploit the consumers. But on an impartial analysis, it would be found that in many cases, prices increases were justified. Advertising is also another important factor for pushing up costs. However, in the UK in 1965, it was estimated that on an average the prices of most heavily advertised brands of processed foods had increased by 14 per cent whereas the official retail prices index for all food had climbed 30 per cent in the same period. The US Federal Trade Commission examined prices of advertised and unadvertised eyeglasses. Prices were found to be lower in areas where eyeglasses were advertised then where such advertising was forbidden. In 2002, the advertising costs element in two bands of baby food was calculated at 10 paise per kilo wllen the product was priced at Rs. 45, and it's this included the costs of free copies of highly informative 'baby books', which told mothers in unmistakable language that breast feeding was far superior.

QUESTIONS FOR DISCUSSION

1. **Explain the pricing?**
2. **Discus the setting and modifying pricing?**
3. **What is Selection a pricing strategy?**
4. **Discus the pricing channels?**
5. **Explain the increases in pricing?**

LESSON – 5

CHANNEL DECISION

CONTENTS

5.1 CHANNEL DECISION

INTRODUCTION: Producing and offering a good product or service to customers at reasonable price is not the whole story. The third 'p' of traditional marketing mix represents place. Place decision decisions concern marketing channel or distributions channel arrangements. It is crucial to ensure availability of goods and services to customers when they want, at places they want, and in the right quantities. This is an integral part of satisfaction delivery to customers and marketing channel arrangements can have dramatic implications for competition in a product market.

Channel decision: Let us discuss each of these steps in detail and debate on the issues related to the designing of a distribution channels. A typical channel design involves identification of customer's output level, establishing objectives and constraints; identifying channel alternatives and evaluating major channel alternatives.

Analyze Customer's Desired Service Output Level: As we have explained earlier, it is a difficult task to analyze the customer's output level because of two reasons, viz., the expectations of each segment will vary from one another and second, the product market situation will vary for each of the market segments. The marketer needs to understand the services output levels desired by the target customers. Each of the channels produces five different kinds of service output levels.

Establishing objectives and constraints: After analyzing the service output level expectation of consumers, the take is to establish the objectives and constraints. The channel objectives should be explained in terms of desired service of the cost structure of maintaining the channel members. The channel members should be evaluated on the basis of the cost structure of maintaining the channel. A channel without low cost is always preferred. The marketing manager can find out each market segment available and services expectations in each segment before deciding with a segment to serve find the decide which channel will best serve the segment. The objectives of channel design are heavily dependent upon the marketing and corporate objectives. The broad objectives include;

- Availability of product in the market
- Smooth movement of the product from the producer of the customer
- Cost effective and economic distribution
- Information communications form the producer to the consumer.

Identification of Major Channel Alternatives: Once the desired service output level is decided and objectives and constraints of designing the channels are decided, the marketing manger should indentify alternative channels, as we have mentioned earlier channels are of three types namely sales, delivery and services channels. While evaluating channels alternatives, there the three issues to be addressed viz the overall business environment, types and number of intermediaries needed and the responsibilities of each channel member.

Evaluating Major Channel Alternatives: Once the list alternative channels are selected, the marketing manager should evaluate each channel alternative to arrive at a final decision. The channels should be evaluated on the basis of three criteria, namely economic criteria, control criteria and adaptive criteria. Each channel member can optimize his output levels in terms of sales and services and hence, achieve a different kind of economy can optimize his output levels in terms of sales and services and hence, achieve a different kind of economy of scale. The marketing manager needs to decide whether a company owned sales force or an intermediary channel will be economically more sensible for the firm to pursue. The first level of choice is between the zero level channels called direct marketing and alternative channel levels. The next decision is to estimate the cost involved in selling a certain number of units is each of the channels and finally the marketing manager should compare the sales and costs involved in each of the alternative channels to arrive at the most economical channel.

5.2 NATURE OF MARKETING CHANNELS

Most marketing channels are composed of intermediaries who perform a number of very useful functions. These intermediaries or channels members include firms and individuals, such as wholesalers, retailer etc. that facilitate the distributions of goods or services to ultimate customer. Wholesalers buy larger quantities of products and resell to retailers, and industrial customers. In turn, retailers buy from wholesalers and sell to consumers for personal or home use. Each channel member performs a set of different function within the overall channel members cooperate with each other and earn profit and success. Bower sox and cooper define marketing channel in the following words.

"A marketing channel is a system of relationships existing among business that participate in the proms of buying and selling products and serve."

Marketing channels decisions are critical and influence all other marketing mix decisions. These decisions are usually long-term and determine product's presence and ensure customer's accessibility to the product. The same product may require different approaches, to set up channel arrangements if different customer segments view it differently. For example, a computer is a consumer product as well as an organization product and may require separate approaches to establish channels for different segments. Marketing channel decisions are often harder to change than price, promotion, and product decisions. Legal contracts may limit changes and developing effective relationship with channel members, often takes longer and costs more. It may also be hard to move retail output and wholesale facilities once they are set up. E. Raymond Corey writes in his book.

"Normally it takes years to build (distribution channel and it is not easily changes….. it represents a significant corporate commitment 10 large number of independent companies whose business is distribution – and to the particular markets they serve."

5.3 FUNCTION OF MARKETING CHANNELS

Most manufactures do not sell the products directly to end users. Between the end user and the producer, there are channels members performing a variety of functions. Some of these resellers such as wholesalers and retailers purchase from producers, taken ownership title, and in turn resell the products to parties or consumers a the next level. They are called merchants'. In contrast brokers, agents, and producer's sales-persons search and negotiate with buyers on behalf of the producer and do not acquire ownership title to merchandise. Other channel members work s facilitators in the process of distribution and include transporters, privately owned warehouses, banks, and others who neither negotiate with buyers or sellers on behalf of producer not take ownership tile of merchandise.

A single channel member may perform all these functions in situations. However, in most of the situations, channel members at different levels are involved in performing the following functions jointly the situations, channel members at different levels are involved in performing function jointly

Channel Members Create Utility: Marketing channels create time, place, and possession utility. Time utility refers to making products available to customers when they want they them. They create place utility by making product available in locations, where customers desire them to be available for buying. Possession utility means customers having access to obtain and have right to use or store for future use. This may occur through ownership or some arrangements such as rental or lease agreements that entitle the customer the right to use the product.

Channel Members Facilitate Exchange Efficiencies: Channel member offer exchange efficiencies and help reduce the exchange costs by providing certain factions services. Let us assume that three customers seek to buy products from four producers. If there are not middlemen involved, the total transactions with three customers will twelve. If these four producers sell to one reseller, the total transactions for producers will come to four (one for each producer), and in turn the reseller will handle three transactions with customers. The costs of three transactions for each producer are likely to be more than just transaction with reseller for each producer. In this situation just one reseller serves both producers and the customers. Cost is a major factor coupled with better services to customer needs for using channel intermediaries.

Channel Members May reduce Discrepancies and Separations: For most customers, producers are located far from them and customers may want different product assortment and quantity of the manufacture's produce. Customers too may not be very clear about their about their product choices and channel members help adjust these discrepancies.

Assortment discrepancy refers to the difference between the product lines company producers and the assortment customers want. Accompany may be specialist in producing cricket balls only, but a typical cricket enthusiast would also be interested in cricket bat or gloves, and other complimentary products and may not to shop for these items elsewhere. The resellers adjust these discrepancies.

Quantity discrepancy means difference between what quantity is economical for the company to produce, which in most case is quite large. The cricket ball manufacturers might be producing 10 or 15 thousand any also help in handling this discrepancy buy bulk, break it into different grades or qualities desired by different customers groups, and sell smaller quantities to retailers, who sell to the customer one or few units at a time.

Other Functions: Distribution channels share financial risk by financing the goods moving through pipeline and also sometimes extend the credit facility to next level operators and consumers as well as handle personal selling by informing and recommending the product to consumers, and party look physical distribution such as were housing and transportation, provide merchandising support, and furnish market intelligence,

The main criticism about using intermediaries that this increase prices, customer prefer lower prices and would like the channels as short as possible, the assumption is that lower of intermediaries, the lower the prices, this thinking ignores the fact that channel members perform certain functions and producers cannot escape these functions by not involving intermediaries, the functions and associated costs are simply transferred to producer.

5.4 TYPE OF RETAILERS

Retailing is the final connections in the marketing channel those goods from manufacturers to consumers. In other words, retailing 'is the combination of activities involved in selling or renting consumer goods and services directly to ultimate consumers for their personal or household use. In addition to selling, retailing includes different diverse actives like buying, advertising, data processing and maintaining inventory. Some retailers carry a variety of carry primarily the products of a particular manufacturer only. For example, Maruti dealership may carry a variety of cars but Maruti dealership may carry a variety of cars but Maruti makes nearly all of them. Most of the time, however, merchants are not owned by manufacturers, which allows them to order from various manufactures to create the product mix believe will fill the needs of their customers.

There are various types of retail formats seen in the Indian retail environment. The growth in retail power and influence has originated from the concentration of trade into the hands of fewer, larger enterprises. The change in retail industry is due to various factors like liberalization, changes in regulation, globalization and consumer preferences. While international chains are looking for newer markets and manufactures; the producers are also looking different kinds of retail formats to cater to their target market.

1. **Mom and pop stores and kirana stores:** Pop and Mon stores are the traditional independent stores, which are spread across the country and center to a large chunk of population. The real growth in India retailing is happening in these kinds of stores. Though the emergence of organized formats have brought more competition to the pop and Mom stores and kirana and kirana stores, but the level of proximity these stores enjoy has given them a comparative advantage over others. Suck kinds of stores are found everywhere in India and mostly in small towns in India.

2. **Department stores:** These kinds of stores are found in USA. Examples of such kinds of stores include JC Penney, Sears and Montgomery Ward dominated malls and downtowns. A department store must have at least 2500 square meters of space. It must offer a product range that is both wide and deep in several product categories. These kinds of stores are slowly becoming non-profitable. These players are not going out of market but they are turning out to be variety stores to cater to larger to lager markets.

3. **Discount Stores:** These are big stores like Wal-Mart, which is the biggest retailer in the world. These along with category killers have changed the landscape of the retail industry. The discount stores are likely to dominate the future retailing in India. These big stores achieve economy of scale and hold substantial power in the market. Their capacity and technology usage are so high that they control more of the marketing network than the manufacture.

4. **Specialty stores:** These stores include Body Shop, Crate and Barrel and Victoria Secrets. These stores concentrate on one type of merchandise and offer in a manner that makes it special. Some of these are high-end stores like Tiffany's. Many of these stores also cater to price conscious customers. Many of these stores are so successful that departmental stores have stared following such models. There is likely to be a growth in home furnishing and home improvement category of specialty stores.

5. **Superstores and Hyper Markets:** The super market and hypermarkets ate becoming more popular in the face of declining of departmental stores. These stores are situated outside traditional shopping centers and enjoy greater accessibility by car, greater economies of scales and the benefits of being built for a special purpose. They become anchor stores of retail warehouse parks and of many partnership schemes such as Spence-Tesco. While a super store of retail warehouse parks feet of selling space, a hypermarket has around 50000 square feet of selling space. These are large stores selling primarily groceries in some countries. In many countries the tern implies stores and special formats, offering a strong depth of assortments.

6. **E-tailers:** Many of the popular store formats have their online storefronts but there is a growing class or e-tailers or virtual retailers in the interne space. One of the successful models is www.amazon.com. Another poplar discount e-tailer is www.priceline.com. This uses reverse auction pricing model to cater to the online shoppers. Since e-commerce and online shopping are on a rise, we are likely to see more successful e-tailers in the coming period of time.

QUESTIONS FOR DISCUSSION

1. **What is channel?**
2. **Explain the channel decision?**
3. **Discuss the natural market channels?**
4. **What is marketing function?**
5. **Explain the function of marketing?**
6. **Explain the types of retailers?**

LESSON – 6

PROMOTION STRATEGIES

CONTENTS

6.1 PROMOTION STRATEGIES

INTRODUCTION: Our earlier understanding of elements of marketing mix has brought us to the fourth ‘P’ of marketing. The marketing manager needs to communicate and promote the final product to consumers through various channels of communication. He has to make sure that all the channels and methods of communication present a unified message about the product or service of the firm. It is necessary to develop marketing communication strategy to obtain a competitive strategic position for the company.

6.2 PROMOTION MIX

There are various alternatives available with the marketing manager to choose form to decide the overall promotion mix. Depending on the marketing goals, media mix and marketing budget the marketing manager has to take a decision among various alternatives of marketing communication tools. Various promotional tools are as follows.

1. Sales promotion
2. Advertising
3. Personal selling
4. Public relations and
5. Direct marketing

It is also called as promotion mix.Companies can substitute one mix alternative with another at different stages of product life cycle to suit the marketing objective. They can also increase spending form one method to the other, either within the specified budget or by bringing contingency budgets. The objective of selecting an optimal media mix is to optimize the spending pattern among various channels in achieving the set corporate objectives.

1. **Sales-promotion:** Sales-promotion is concerned with the establishment of contact with the members of the society, through 'media of communication', with the object of creating customers. It includes all those "functions", with have to do with the marketing of a product, as well as all other actives, designed to increase and expand the market. But this does not include "Advertising" and "Personal-selling", though the basic aim of all the three is one and the same, viz., to increase sales-volume. Sales-promotion moves the product towards the buyer, by informing him about a product's distinctive want-satisfying characteristics and its availability. This process is not all a once-a-time affair, but has to be repeated, periodically and regularly.

   According to William J. Stanton, "promotion is an Exercise in information, persuasion and influence". Philip kotler defines it as "promotion encompasses all the tools in the marketing-mix whose major role is "persuasive-communication". American Association (marketing) (AMA), has define it as "The marketing-Activities, other than personal-selling, advertising and publicity, that stimulate consumer's purchasing and dealer-effective's, such as display-stores and exhibitions, demonstrations and various non-recurrent selling-efforts, not in the ordinary routine". Some of the different sales promotion techniques are rebate, discount, refunds, premiums, gifts, quantity deals, samples, contest lucky draws, container premiums.

2. **Advertising:** The American Marketing Association define advertising as "any paid from of non personal persuasion and promotion of ideas, goods or services, by an identified sponsor". Advertising is a paid form of communication in which the sponsor or the brand owner has made payments to the media to carry the message through their set of media vehicles. When there is no direct payment it is termed as public relations. The communication process in advertising is non-personal, as nobody communicates the message in person. When a retail salesman speaks to the customer the sales counter, it is called as personal selling, as there is direct interaction between the receiver and the sender. Marketers use mass media also called non-

personal media like newspapers, magazines, television channels and radio stations for the purpose of advertising the product/services.

3. **Personal Selling:** Personal selling means selling personally. This involves face to face interaction between seller and buyer for the purpose of sale. The personal selling does not mean getting the prospects to desire what seller wants but the concept of personal selling is also based on customer satisfaction. Here the sellers give information about the product, at the same time the buyer get a chance to clarify his doubts. It is suitable for sale of complex products where buyer wants to interact with the manufacturer. When the seller and buyer come together this may improve relation between the customer and seller. Salespersons normally make friendly relations with the customers. Personal selling is most effective form of promotion because with this the sales person can convince the buyer by demonstrating the use of product and making changes in the product according to the need of customer.

4. **Public Relations:** Apart from four major elements of marketing mix, another important tool of marketing is maintaining Public Relations. In simple words, a public relations means maintaining public relations with public. By maintaining public relations, companies create goodwill. Public relations evaluate public attitudes; identify the policies and procedures of an organisation with the public interest to earn public understanding and acceptance. Public does not mean only customers, but it includes shareholders, suppliers, intermediaries, customers etc. The firm's success and achievement depends upon the support of these parties for example, firm needs active support of middle men to survive in market, it must have good relations with existing shareholders who provide capital. The consumers' group is the most important part of public as success of business depends upon the support and demand of customers only.

5. **Direct Marketing:** It is reaching the customer without using the traditional channels of advertising such as radio, newspaper, television etc. This type of marketing reach the targeted consumers with techniques such as promotional letters, street advertising, catalogue distribution, fliers etc.

6.3 Role of Advertising

The role of advertising is mainly to inform potential customers of the products in the market and convince them to make a purchase. Through adverts customers are informed of new products, their function, their benefit and the prices at which they are being sold. It is a technique used to influence people's mind and encourage more sales.

BUDGETING FOR ADVERTISING: Budget is a quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. It expresses strategic plans of business units, organizations, activities or events in measurable terms. With regard to the promotion/Advertising any firm has to decide on its budget so as to execute to their requirements. The different types of this budgeting process is as follows

1. **Percentage-of-sales Method:** This method sets advertising budgets based on a predetermined percentage of past sales or a forecast of future sales. This budget allocation is popular with advertisers because of its simplicity and its ability to relate advertising expenditures directly to sales.
2. **Objective and task Method:** This method of budgeting marketing is known as the objective-and-task method. With this method, the company will allocate its budget based on the objectives it sets. In order to use this method, a business needs to determine its marketing objectives, the tasks needed to accomplish these objectives, and the estimated costs associated with completing these tasks. The Marketing Plan Success templates can be easily modified to support this method.

3. **Affordable Method:** The affordable method for determining a marketing budget is simple: spend what you can afford. This method is suitable for the small company or company which just starts to work and don’t have a big number of budget.

4. **Match-competitor Method:** When companies use the Match-competitor budgeting method, they try to match their budgets to their competitors’ budgets by monitoring their competitors’ activities and researching estimates from trade sources.

Copywriting: Copywriting is the act of writing copy (text) for the purpose of advertising or marketing a product, business, person, opinion or idea. The addressee (reader, listener, etc.) of the copy is meant to be persuaded to buy the product advertised for, or subscribe to the viewpoint the text shares. Copywriters are used to help create direct mail pieces, taglines, jingle lyrics, web page content, online ads, e-mail and other Internet content, television or radio commercial scripts, press releases, white papers, catalogs, billboards, brochures, postcards, sales letters, and other marketing communications media pages. Copy can also appear in social media content including blog posts, tweets, and social-networking site posts.

A copywriter usually works as part of a creative team. Advertising agencies partner copywriters with art directors. The copywriter has ultimate responsibility for the advertisement's verbal or textual content, which often includes receiving the copy information from the client. The copywriter is responsible for telling the story, crafting it in such a way that it resonates with the viewer/reader, ideally producing an emotional response.

Media Planning and Selection: Advertising media selection is the process of choosing the most cost-effective media for advertising, to achieve the required coverage and number of exposures in a target audience. The two basic tasks of marketing communications are message creation and message dissemination. Media planning supports message dissemination. Media planning helps you determine which media to use--be it television programs, newspapers, bus-stop posters, in-store displays, banner ads on the Web, or a flyer on Facebook. It also tells you when and where to use media in order to reach your desired audience. Simply put, media planning refers to the process of selecting media time and space to disseminate advertising messages in order to accomplish marketing objectives.

6.4 Types of Media and Their Characteristics

In terms of overall advertising expenditures, media advertising is still dominated by Press and television, which are of comparable size (by value of 'sales'). Posters and radio follow some way behind, with cinema representing a very specialist medium.

In the United Kingdom, spending is dominated by the national & regional newspapers, the latter taking almost all the classified advertising revenue. The magazines and trade or technical journal markets are about the same size as each other, but are less than half that of the newspaper sectors.

1. **Television:** This is normally the most expensive medium, and as such is generally only open to the major advertisers, although some regional contractors offer more affordable packages to their local advertisers. It offers by far the widest coverage,

particularly at peak hours (roughly 7.00–10.30 p.m.) and especially of family audiences. Offering sight, sound, movement and color, it has the greatest impact, especially for those products or services where a 'demonstration' is essential; since it combines the virtues of both the 'story-teller' and the `demonstrator'.

2. **Radio:** Radio advertising has increased greatly in recent years, with the granting of many more licenses. It typically reaches specific audiences at different times of the day. It can be a cost-effective way of reaching their audiences—especially since production costs are much cheaper than for television, though the lack of visual elements may limit the message. In radio advertising it is important to identify the right timing to reach specific radio listeners.

3. **Cinema:** Though national audience numbers are down, this may be the most effective medium for extending coverage to younger age groups, since the core audience is 15 to 35.

4. **Internet/Web Advertising:** This rapidly growing marketing force borrows much from the example of press advertising, but the most effective use—adopted by search engines—is interactive.

Assessing Advertising Effectiveness: It is simply a process to assess the Return on Investment of their advertising. Here are three simple concepts to help assess advertising effectiveness.

1. **Reach:** The first job of any advertising campaign is to reach the right audience. It is an activity to understand how efficiently their advertising is hitting the target. It's possible to measure reach, frequency and GRP's against a demographic target on-line on a daily basis.
2. **Resonance:** Having reached the right audience, the next job of advertising is to get noticed. Breaking thru is the most important job of advertising, because if it doesn't, nothing else matters anyway. But beyond breakthrough, advertising must communicate your brand and change how consumers feel about it. How well is your brand doing this right now?
3. **Reaction:** Advertising exists to drive behavioral change. Usually this means increasing sales, but it can also mean getting consumers to search for your brand,

go to your Face book fan page, talk positively about your brand, etc. Measuring reaction is key to understanding if your advertising is going the final mile to cause behaviors that result in a positive ROI.

6.5 MEASURING RESULTS

The marketing manager should measure the results of the marketing/the result of the, marketing communication program so that he can find out efficiency of the money spent in achieving the objectives. The objectives of marketing communication are two fold, namely communication objectives and sales objectives. The sales objectives are measurable in terms of sales, market share, profitability and repeat sales. The marketing communication objectives are measurable through surrogate measures like awareness, communication, and trial and adoption rate. If the measure of sales is through market share, the communication measure is through mind share evaluation. Companies undertake tracking and monitoring studies to find out the percentage of people who have seen the marketing message, read the message, understood the message and purchased.

Feedback helps marketers to evaluate the effectiveness of marketing communication. It is difficult in most cases to determine the effect of advertising alone on consumer purchase behaviour and due to this reason marketers determine whether the ad-results in exposure, attention, comprehension, message acceptance and retention.

Measurement of audience-exposure: Exposure to a message can be measured by taking into account the circulation figures of print media and programmed rating for broadcast media programmers.

Measurement of Audience-attention : It can be measured by recognition of a message by the audience. Consumers are asked whether they have seen a particular message and can they associate it with a brand or manufacturer. Research agencies conduct recall and recognition tests in case of broadcast media to ascertain whether consumers recalled relevant message regarding the brand or company.

Measurement of Audience-comprehension: This is measured with the help of aided or unaided recall tests for specific message points in the communication. Researchers probe consumers to determine the level of comprehension of a message.

Measurement of Audience's Message Acceptance: Consumers' attitudes towards the brand are good indicators of message impact. This can be done by measuring their attitudes towards the brand before and after the exposure to ad message. Researchers compare matched groups of consumers exposed to the message and those not exposed to the message to determine the impact of advertisement on audience attitudes.

Measurement of Audience's Message-retention: Average consumers are likely to retain a message in their memory if it was successful in making an impact. They do not pay attention to messages that are not relevant to them. They are also likely to forget messages over time unless they are repeated.

QUESTION FOR DISCUSSION

1. **What is a promotion strategy?**
2. **What is the promotion mix**
3. **Discus the role of advertising**
4. **Types of advertising**
5. **What mean by measuring results**

LESSON – 7

MARKETING ORGANIZATION

CONTENTS

7.1 MARKETING ORGANIZATION

INTRODUCTION: Marketing organization is very vital for the success of a marketing programme. To what extent a company's market chief has authority to plan and implement marketing strategies depends on how the marketing function is organized. The structure of the marketing department directly influences lines of authority, responsibility, and relationships. Steven J. Skinner is of the opinion that when customers are not satisfied, chances are that the fault lies in organizational structure. The structure of the company must be consistent with its marketing strategy.

According to Trudy Heller, authority is the organizationally sanctioned right to make decisions without the approval of a higher level executive. For example, when authority is delegated to the advertising manager to perform functions relating to advertising, the individual has the right to make whatever decisions are essential to perform those functions. These elements affect coordination among company personnel and ultimately affect how the individuals connect to perform the marketing activities.

Marketing organization: Marketing department structure established the line of authority and relationship among personnel and establishes who is responsible for taking which particular type of decisions, and for performing specific activities. One of the most critical decisions about structuring authority is the issue of choosing whether to go for centralization or decentralization.

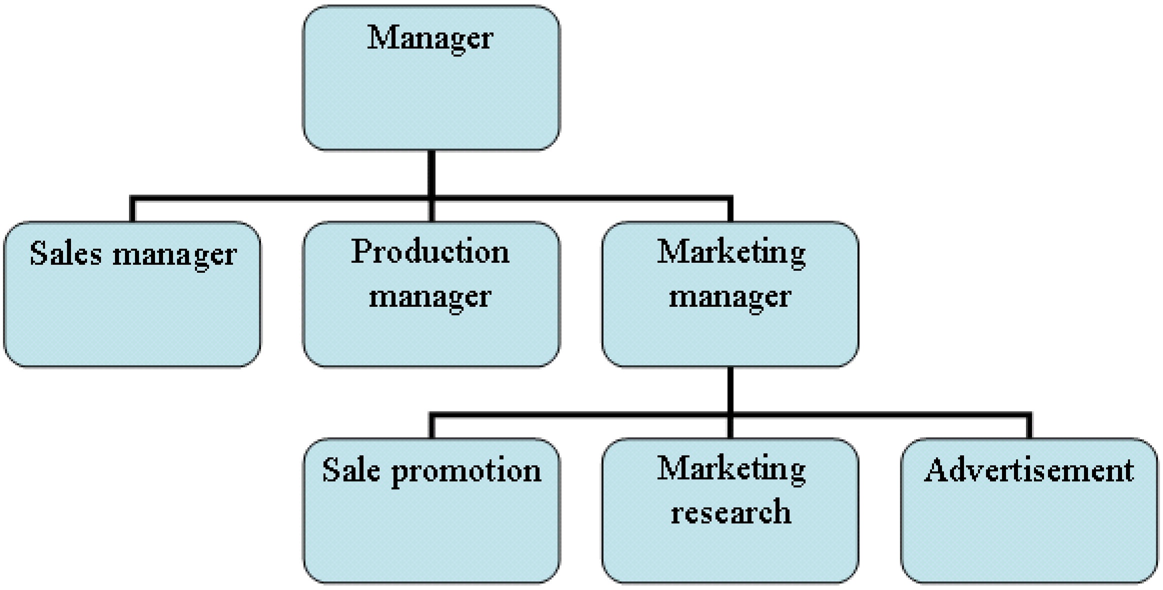
In a centralized arrangement, the top-level managers make most of the major decisions decision and delegate very little decision-making authority to managers working at lower levels in the hierarchy. In a decentralized structure, authority to make decisions is delegated as far down the hierarchy as possible. Decision regarding choosing centralization or decentralization directly affects the concerned company's marketing operations. At one extreme, one marketing head makes all decisions and at another extreme all members of the marketing unit make all decisions. In actual practice, most marketing departments are structures somewhere in between these two extremes. Most traditional companies in India are centralized. Many of them are family dominated. In such companies almost all marketing decisions are made at the top management levels. As companies start realizing the importance and advantages of becoming marketing oriented, centralized decision making approach tends to prove increasingly ineffective and sometimes even counterproductive. To implement marketing concept, a decentralized structure approach is more suited to respond and effectively to customer needs and wants.

7.2 Types of Marketing Organization:

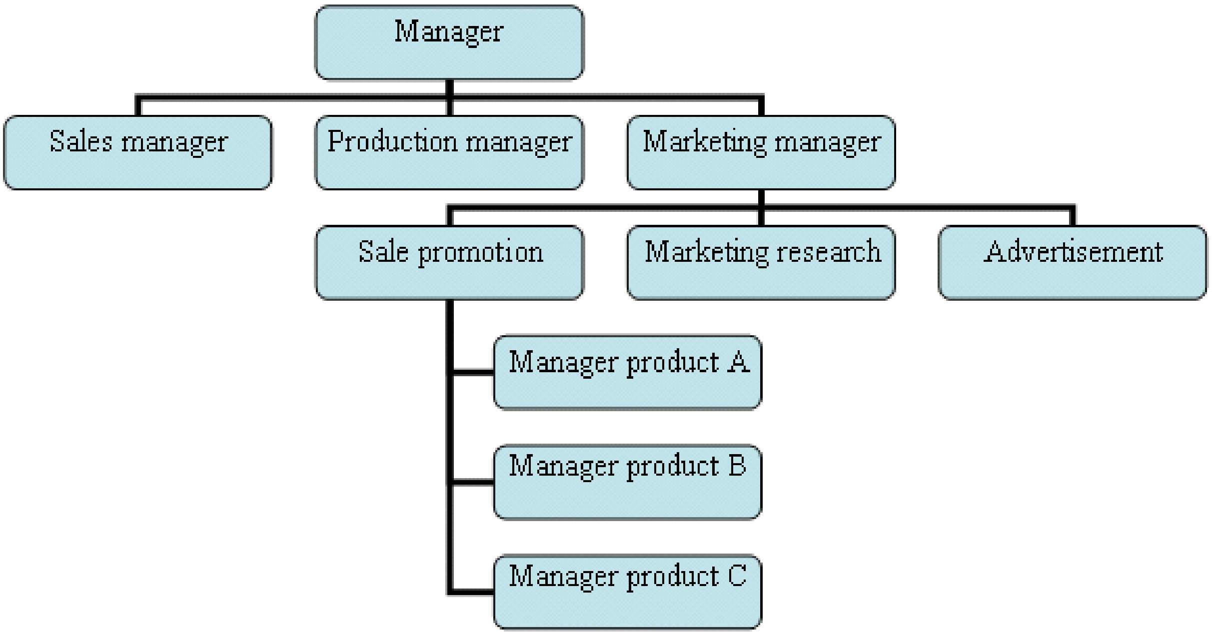
There is no single approach to organizing the marketing department that suits all types of business. Much depends on the number and diversity of products, target market, customer characteristics and their needs, the nature of competition, etc., marketing activities can be organized on the basis of

1. Functions
2. Products
3. Customer groups
4. Regions

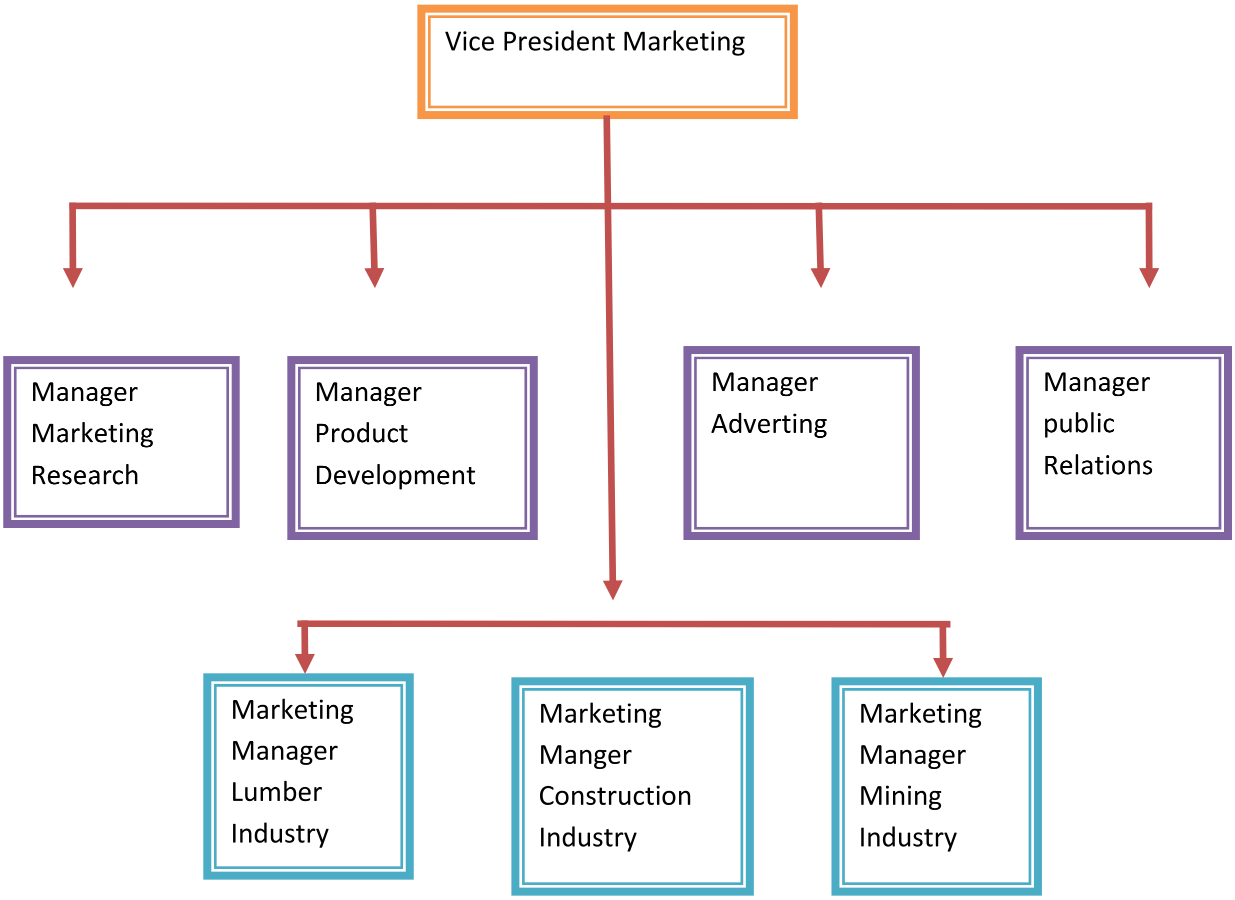
Organizing by function: This is a fairly popular approach to organizing a marketing department. Is also works well for some relatively less centralized business? Examples of organization the marketing department on the basis of function include marketing research, product directly to the top marketing relations include marketing research, product development, sales, advertising, distribution, and customer relations. All these fictional managers report directly to the top marketing executive.



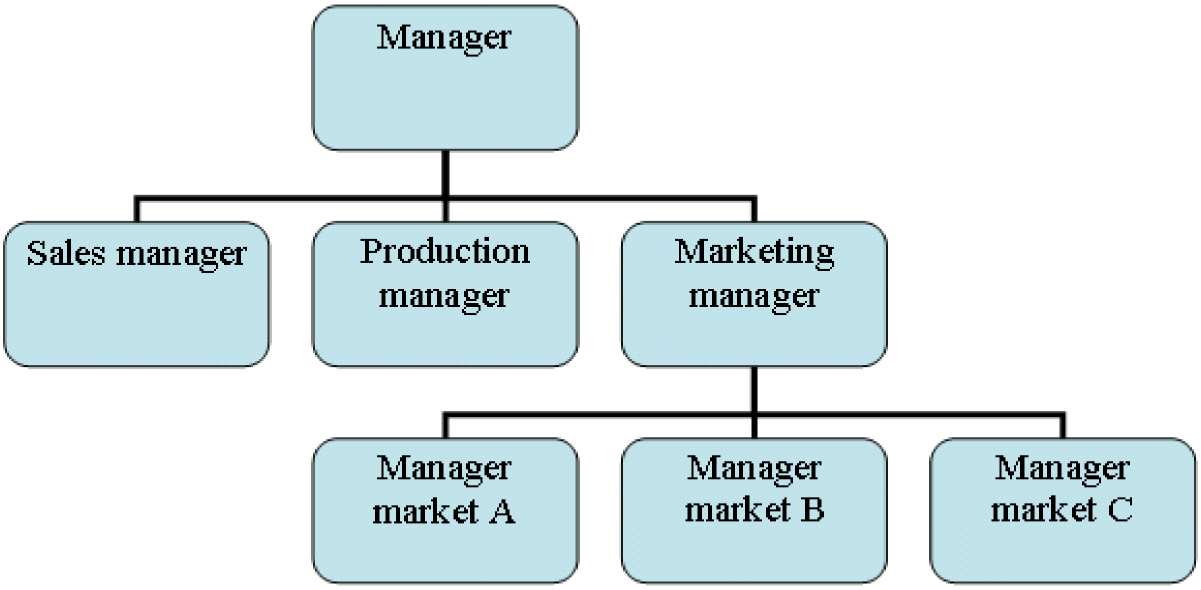
Organizing by products: Businesses operating with diverse product categories sometimes find it more appropriate to organize the marketing department by product group. This arrangement provides the required flexibility to develop separate marketing programmers for different product group. Proctor & Gamble operates with this arrangement. P&G has product category management arrangement to manage different product categories. Under each category manager, there are product managers. The product managers can also draw on the resources of the company's specialist stag in the area of advertising, research, distribution, etc. this approach, though providing flexibility, is somewhat more expensive as it create more layers of management and increases the number of employees. However, in this arrangement each division is responsible for its own product planning, implementation plans, implantation of plans, monitoring performance, and corrective



Organizing by Customer Groups: This approach is appropriate for businesses that have several significantly different customer groups whose problems and needs are distinctly different. Some ‘computer companies serve businesses, educational institutions, research laborites, advertising agencies, home users, etc. some other examples include companies such as Hyundai, Philips, Bajaj, and Larsen & Toubro, that serve many different customer groups. Such businesses require different marketing decisions and activities, as these highly diverse customer groups are considerably different in terms of their product and service needs. Marketing heads of these groups direct most marketing activities with respect to the specific customer groups. These marketing heads report directly to top marketing executive in the company.



Organizing by Regions: Large business house that market product in domestic or in the global markets sometimes structure the marketing operations based on regional or geographic considerations. The markets may be divided on the basis of countries / regions, and the country or regional marketing director's report directly to the vice president marketing. This arrangement is appropriate for companies whose customer characteristics and needs differ in important ways in different regions. For example, fast food companies structure and responding quickly to market conditions.



7.3 CONTROL STRATEGIES

Marketing objectives are often in terms of sales, costs, profit, product or brand awareness, etc. marketing control always relates to measuring the accomplishment of objectives. Three general approaches to evaluation focus on sales, costs, and marketing audit.

1. **Sales Analysis:** Analysis of sales is extremely important for evaluation of marketing strategy and programmes. The sales data is conveniently available in almost all companies and is believed to be a reliable indicator of target market response to the company's marketing efforts. This sales data alone is insufficient and must be compared with the forecasted sales to provide a useful basis for analysis. Some companies also compare the sales data with industry sales and, more often, a particular competitor's sales and cost involved in achieving that sale level. The market share of any company's product or brand indicates the percentage of sales in that product industry. This provides the company a measure to compare its market share with those of its competitors reflecting the level of success of the company's marketing strategy. If the level of sales volume declines but market share remains the same, it shows the overall impact of uncontrollable environmental factors on the product industry. In case a company loses some of its market share and the sales, volume remains the same, and the sales volume and market share of one or more competitors increase, it means the industry's market is growing. It is reflection on the marketing stagey or the implementation aspect of the strategy of the company.

2. **Marketing Cost Analysis:** Sometimes a company achieves its sales objectives but at much higher cost than budgeted. Cost analysis is necessary to determine the costs incurred for performing different marketing activities. These costs can be compared with earlier costs with respect to performing the same activities a certain sales volume. Cost analysis makes it possible to evaluate the level of a strategy's effectiveness by comparing sales achieved and costs incurred even during the continuing implementation process or at conclusion. By specifying where a company is incurring high costs, it becomes easier to determine profitable or unprofitable customers, products, or geographic areas.

3. **Marketing Audit:** Marketing audit is the final method of marketing evaluation and refers to a thorough, systematic, objective examination of its objectives, strategies, organization, and performance. The primary purpose of audit is to identify weak areas in executing marketing activities and recommends actions to improve performance in these areas. It also highlights activities where the company does well. Companies regularly conduct accounting or financial audit. Likewise, the marketing audit should also be conducted on a regular basis and not just when performance evaluation points to problem with the system, or when there is a marketing audit may focus on the entire firm's marketing, or it include some specific marketing solely on customer service objectives, standard, and comparing them achieved standards. Similarly, the audit might be conducted for sales, sales promotion, or any other activity. The extent of marketing audit depends on involved costs, number of target markets served, marketing mix composition, and environmental conditions. The audit findings can be useful to take corrective.

7.4 MARKETING STRATEGIES

Marketing strategy is defined as a process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage. It includes all basic and long-term activities in the field of marketing that deal with the analysis of situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contributes to the goals of the company. It may differ depending on the unique situation of the individual business. However there are a number of ways of categorizing some generic strategies. A brief description of the most common categorizing schemes is presented below. Here the firms are classified based on their market share or dominance in an industry. Typically there are four types of market dominance strategies.

1. Market Leader Strategies
2. Market challenger strategies
3. Market Follower Strategies
4. Market strategies for niche markers

Market Leader Strategies: Market leader is a pioneer or at least one of the first few entrants who first development the product market generally, the leader's objective is to maintain its leading share position despite the entry of new players. Maintaining early market share-lead in growing markets is challenging because of increasing number of competitors, fragmentation of markets, and threat of product innovation from competitors. A company can maintain its market share in the presence of competitors only when its sales grow at a rate that is equal to overall market growth.

A business leader can adopt defensive/offensive strategies to maintain share-position, increase market share, or expand product-market. Depending on the situation a market leader faces, the strategic move options include;

1. Position Defense Strategy
2. Flanker Strategy
3. Confrontation Strategy
4. Pre-emptive Strategy
5. Market Expansion Strategy
6. Contraction or Withdrawal Strategy

1. **Position Defense Strategy:** Almost always, the market share leader adopts position defense strategy. This strategy focuses on perpetually strengthening an existing position like a fortress and repulsing attacks by existing or future competitors. The share leader must take care not to leave any area exposed to a flank attacker, and

determine which areas are most important to defend. By investing to support and maintain existing leadership position, the business can improve the feeling of satisfaction among present customers, and make the offer more attractive to new customers.

2. **Flanker Strategy:** The market leader adopts this strategy to outsmart a challenger who simply decides types the leader's fortress and attempts to capture a territory where the leader so far has not been able to develop a strong presence. This may happen then the product market is fragmented with distinct segments and the leader's product brand does not meet the needs and wants some of this attractive segments. This may happen when a competitor with appropriate resources and strengths differentiates its offer that appeals to, one or more these segments, where the leader so far is not established. In this situation, the challenger captures a big chunk of the share.

3. **Confrontation Strategy:** Here the leader attacks the challenger or the closest rival with a product features similar to that of their strength to confront with him in such a way he escalate the marketing effort.

4. **Market Expansion Strategy:** The main objective of this strategy is to capture a large share of new customer groups who have different needs and preferences than the segment where company has been operating with initial offer. This is a proactive and more aggressive version of flanker strategy to defend leader's market share position by expanding the total market. This protects the company form future competitive threats. In case the company has abundant resources and competencies, market expansion strategy is particularly suitable where the market is fragmented.

5. **Per-emptive Strategy:** This is an offensive strategy to defend leadership position before a competitor even attacking the market share leader. A company can use per-emptive strategy in several ways. A company can introduce several new products and announce it much in advance before the actual launch in the market.

6. **Contraction or Withdrawal Strategy:** If the market happens to be highly fragmented and new entrants have more resources than the leader, it might be difficult for a market leader to defend properly in all market segments. The firm may

not have enough resources and have no options but to decrease or take no action in some market segments and focuses its efforts on segments where it has maximum advantages or highest segment attractiveness and degree of success.

Market challenger strategies: A challenger visualizes capturing the market share leadership in an industry. Many challengers have successfully overtaken the leader and some others have gained share points. A challenger has two basic strategic options to consider. In markets where the share leader and others have already concerned a very large portion of the potential market there is no choice for a challenger but to capture some demand from other competitors' existing customers. A challenger could try head on conformation which chosen competitor by adopting various marketing actives aimed at giving it an advantage. Or a challenger call to leapfrog over the share leader by offering new generation products with more benefits to encourage existing customers to trade in their existing customer to trade in their existing brand for a new one. This could also bring to fold a large share of late adopters in the mass market.

In the early growth stage of product market where no one has so far captured a clear leading share position of potential customers, the option for the challenger is to attract a substantial share of potential first time customers. This could be a better choice in market is heterogeneous and must fragmented, and the share has been successful in capturing strong position in only one or few segments. The key would be successful differentiation of the offer from those current competitors, and make it more attractive and appealing in underdeveloped segments.

Market Follower Strategies: Following pioneers in a product market, there are the late entrants. Of course, not all followers is a growth market dream of becoming the market share behind the pioneer. Many competing businesses enter the market, especially those with limited resources and competencies and may decide to enter a distinct segment of the larger market, overlooked by other entrants, and build a successful business. It resembles a kind of niche strategy that avoids head-on competition with larger players and may have some degree of success.

Most market structures have share leaders, follows, and niche marketers. A firm that has second largest share in a market and is a close follower has an interesting strategic choice whether to challenge the leader with an offensive strategy. Another strategy option is to protect its share position and maximizes profitability. Much will depend on the competitive advantage of the leader and its pledge to defend its position, follower's resource, and the short term profit needs of follower.

1. **Adapter Strategy:** This business takes or copies a leader's product, improves it and sells in different markets. The differentiation is in terms of features, packaging, and distribution. Some firms pick up product ideas from established leaders and implement them in a different country with some modification.
2. **Counterfeit Strategy:** This type of follower makes duplicates of leader product and sells at very prices through grey market and dealers of doubtful integrity. For example, some operators in East Asian countries, duplicate pirate software, music and move CDs, Apple Computer, top selling novels, and some brands of expensive watches etc.

MARKET STRATEGIES FOR NICHE MARKERS: A niche market is a very small sub-segment where customers seek a distinctive set of attributes resulting in certain most desired benefit. A niche marketer focuses on customer needs in this small sub segment and customizes its marketing effort to that group of target customers. These customers are prepared to pay a premium price to the niche market who best satisfies their needs. The niche usually does not attract competitors.

MARKET STRATEGIES FOR GLOBAL MARKETS: Global business' success depends on finding and using the right international marketing mix both for your business and your international clients. An effective international marketing strategy is based on several different marketing strategies including.

- ❖ Traditional international marketing – for the core strategy
- ❖ Cross – cultural marketing – to get the right communication
- ❖ Strategic marketing – to get your massage right
- ❖ International web marketing – for easy international business development
- ❖ Lead generation marketing – to leverage your web marketing and bring in clients
- ❖ Multichannel marketing – to care intimacy with the right marketing mix.

QUESTIONS FOR DISCUSSION

1. **What is marketing organization?**
2. **Explain the organization function?**
3. **Discus the organization by customer groups?**
4. **What are control strategies?**
5. **Position defense strategy?**
6. **What is niche marketer?**
7. **Explain the channels of marketing?**

LESSON – 8

HUMAN RESOURCE

CONTENTS

8.1 HUMAN RESOURCE FUNCTION

INTRODUCTION: Human Resource Management is a process of bringing people and organization together so that the goals of each are met. It tries to secure the best from people by winning their wholehearted cooperation. In short, it may be defined at the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective manner. Function of HRD practices in an organization should be to put effort to develop and realize the full potential of the workforce, including management and to maintain an environment conductive to total participation, quality leadership and personal and organization growth.

It has the following features:

1. **Pervasive force:** HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organization.

2. **Action oriented:** HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through rational policies.

3. **Individually oriented:** It tries to help employees develop their potential fully. It encourages them to give their best to the organization. It motivates employees through

a systematic process of recruitment, selection, training and development coupled with fair wage polices.

4. **Peoples oriented:** HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce good results. The resultant gains are used to reward people and motivate them toward further improvements in productivity.

5. **Future oriented:** Effective HRM helps an organization meet its goals in the future by providing for competent and well motivated employees.

6. **Development oriented:** HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their tales full in the services of organizational goals.

7. **Integrating mechanism:** HRM tries to build and maintain cordial relations between people working at various levels in the organization. In short, it tries to integrated human assets in the best possible manner in the services of an organisation.

8. **Comprehensive function:** HRM is, to some extent, concerned with any organizational decision which has an impact on the workforce or the potential workforce. The term ‘workforce’ signifies. People working at various levels, including workers, supervisors, middle and top managers. It is concerned with management people at work. It covers all types of personal work may take different shapes and forms at effectiveness through effectives and efficient utilization of human resources, remains the same. “ It is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organization”.

9. **Auxiliary services:** HR department exist to assist and advise the line or operating mangers to do their personnel work more effectively. HR manager is a specialist advisor. It is a staff function.

10. **Inter disciplinary function:** HRM is a multi disciplinary activity, utilizing knowledge and inputs drawn from psychology, sociology, anthropology, economics, etc., To unravel the mystery surrounding the human brain, managers, need to understand and appreciate the contributions of all such 'soft' disciplines.

11. **Continuous function:** According to Terry, HRM is not a one shot deal. It cannot be practiced only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in every day operations.

8.2 ROLE OF HR MANAGERS

Human resources Managers, now- a -day, wear many hats. They perform mainly three different types of roles, while meeting the requirement of employees and customers, namely administrative, operational and strategic.

The administrative roles of human resource management include policy formulation and implementation, housekeeping, records maintenance, welfare administration, legal compliance etc.

1. **Policy maker:** The human resource manager helps management in the formation to policies governing talent acquisition and retention, wage and salary administration, welfare activities, personnel records; working conditions etc. he also helps in interpreting personnel policies in an appropriate manner.

2. **Administrative expert:** The administrative role of an HR manger is heavily oriented to processing and record keeping. Maintaining employee files, and HR-related database, processing employee quires regarding leave, transport and medical facilities, submitting required reports to regulatory agencies are examples of the administrative nature of HR management. These activities must be performed efficiently and effectively changing requirements of employees, customers add the government.

3. **Advisor:** It is said that personnel management is not a line responsibility but a staff function. The personnel manger performs his functions by advising to grievance redressed, conflict resolution, employee selection and training. Personnel advice

includes preparation of reports, communication of guidelines for the interpretation and implementation of policies, providing information regarding labor laws etc.,

4. **Housekeeper:** The administrative roles of a personnel manager in managing the show include recruiting, pre-employment testing, reference checking, employees' surveys, time keeping, wage and salary administration, wellness programmes, maintenances of records etc.

5. **Counselor:** The personnel manager discusses various problems of the employees relating to work, career, their supervisions, colleagues, health, and family, financial, social, etc., and advises them on minimizing and overcoming problems, if any.

6. **Welfare officer:** Personnel manager is expected to be the welfare officer of the company. As a welfare officer be provides and maintains canteens, hospitals, crèches, educational institutes, clubs, libraries, conveyance facilities, co-operative credit societies and consumer stores. Under the factories Act, Welfare officers are expected to take safety, health and welfare of employees. The HR manages are often asked to oversee if everything is in line with the company legislation and stipulation.

7. **Legal consultant:** Personal manager plays a role of grievance handing setting of disputes, handling, disciplinary cases, doing collective bargaining, enabling the process of joint consultation, interpretation and implementation of various labor laws, contacting lawyers regarding court cases, filing suits in labour courts, industrial tribunals, civil court and the like. In some organizations, the above administrative function are being outsourced to external providers in recent times with a view to increasing efficiency as also cutting operational costs. Technology is being put to good use to automate any of the administrative takes.

8.3 JOB ANALYSIS

Job analysis is a primary function to be performed by a HR manager. It is a family of procedures to identify the content of a job in terms of activities involved and attributes or job requirements needed to perform the activities. Job analyses provide information to organizations which helps to determine which employees are best fit for specific jobs.

Through job analysis, the analyst needs to understand what the important tasks of the job are, how they are carried out, and the necessary human qualities needed to complete the job successfully. A variety of methods, are used to collect information about jobs. None of them, however, is perfect. In actual practice, therefore, a combination of several methods is used for obtaining job

1. **Job performance:** In this method, the job analyst actually performs the job in question. The analysis thus receives firsthand experience of contextual factors on the job including physical hazards, social demand, emotional pressures of the jobs that are hazardous, for jobs that require extensive training.

2. **Personal observation:** The analyst observes the worker doing the job. Tasks performer, the pace at which activities are one, the working conditions, etc, are observed during complete work cycle. During observation, certain precautions should be taken.
   (a) The analyst must observe average workers during precautions should conditions.
   (b) The analyst should observe without getting directly involved in the job
   (c) The analyst must make note of the specific job needs and not the behaviors specific to particular workers,
   (d) The analyst must make sure that obtains job duties, it is appropriate for manual, short period job activities.

3. **Critical incidents:** The critical incident technique is a qualitative approach of job analysis used to obtain specific, behaviorally focused descriptions of work or other activities. Here the job holders are asked to describe several incidents based on their past experience. The job requirements will becomes clearance the analysis draws the line between effective behaviors of workers on the job. For example, if a shoe salesman comments on the size of a customer feet and the customer leaves the store in a huff, the behaviour of the salesman comments on the size of a customer feet and the customer leaves the store in a huff the behaviour of the salesman may be judged as ineffective in terms of the result it produced.

   The critical incidents are recorded after the events have already taken place both routine and non routine. The process of collecting a fairly good number of incidents is a lengthy one. Since incidents of behaviour can be qui dissimilar, the process of classifying data into usable job descriptions can be difficult.

4. **Interview:** The interview method consists of asking questions to both incumbents and supervisors in either an individual or a group setting. The reason behind the use is that job holders are most familiar with the job and can supplement the information obtained through observation. Workers know the specific duties of the job and supervisors are aware of the job's relationship to the rest of the organization.

   Due diligence must be exercised while using the interviews must be trained in proper interviewing techniques; it is advisable to use a standard format so to focus the interview to the purpose of the analyst.

5. **Panel of experts:** This method utilizes senior job incumbents and superiors with extensive knowledge of the job, to get the job analysis information; the analysis conducts an interview with the group. The interaction of the members during the interview adds insight and detail the analyst might not from individual interviews.

6. **Diary method:** Several job incumbents are asked to keep diaries or logs of their daily job activities over a specified period of time, a job analyst is capable of elucidating from it about the job.

7. **Questionnaire method:** The questionnaires are a widely used method of analysis. Here the job holders are given a properly designed questionnaire aimed at eliciting relevant job related information. After completion, the questionnaires are handed over to supervisors. The supervisor can seek further clarifications on various items by talking to the job holders directly. After everything is finalized the data is given the job analyst.

QUESTION FOR DISCUSSION

1. **What is human resources**
2. **What is human resources function**
3. **Discus the role of HR manager**
4. **Explain the job analysis**

LESSON – 9

SELECTION PROCESS

CONTENTS

9.1 SELECTION PROCESS AND SELECTION TECHNIQUES

INTRODUCTION: To select means to choose. Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organization. The basic purpose is to choose the individual who can most successfully perform the job, from the pool of qualified candidates. To meet this goal, the company obtains and assesses information about the applicants in terms of age, qualifications, skills, experience, etc. the needs of the job are matched with the profile of candidates. The most suitable person is then separated from less suitable applicants through successive selection process.

How well an employee is matched to a job is very important because it directly affects the amount and quality of the work. Any mismatch in is regard can cost an organization a great deal in terms of money, time and trouble, especially, by way of training and operation costs. In course of time, the employee may find the job distasteful and leave in frustration. He may even circulate 'hot news' and juicy bits of negative information about the company, causing incalculable harm in the long run. Effective selection, therefore, demands constant monitoring of the 'fit' between the person and the job.

Depending on the various factors, the following are possible method might be included as a part of a typical selection process;

1. Pre screening
2. Initial interview
3. Reference and other checks
4. Application forms or 'blanks'
5. Selection testing
6. Comprehensive interview
7. Job offer
8. Medical examination

1. **Pre-screening:** A certain amount of screening will probably already have been done before the initial interview, possibly in the recruitment phase and through some screening processes

2. **Pre interview screening and preliminary interview:** This is generally the starting point of any employee selection process. Pre interview Screening elimination unqualified application and helps save time. Applications received from various sources are scrutinized and irrelevant ones are discarded.
    - Personal data [address, sex, identification]
    - Marital data [single or married, children, dependents]
    - Physical data [height, weight, health condition]
    - Education data [levels of formal education, market, distinctions]
    - Employment data [past experience, promotions, nature of duties]
    - Extracurricular activities data [sports , NSS, NCC, prizes won]

- References [names of two or more people who certify the suitability of an applicant of the advertised position]

Even when applicants come armed with elaborate resumes, it is important to ask the applicants to translate specific resume material into a standardized application form. Job seekers tend to exaggerate, or overstate their qualifications on a standardized on a resume.

3. **Interview:** Most managers believe that the personal interview is an absolute ‘MUST’. It helps them in obtaining more information about the prospective employee. It also helps them in interacting with the candidate and judging his communication abilities, his ease of handing pressure etc.

4. **Checking References:** Most application forms include a section that requires prospective candidates to put down names of a few references. References can be classified into former employer; former customer business references reputable persons. Such references to get a feedback on the person in question including his behaviour, skills, conduct etc.

5. **Tests:** Different types tests are conducted to evaluate the of an applicant, his behaviour, special qualities etc,.

6. **Interviews:** A selection procedure designed to predict future job performance on the basis of applicants' oral responses to oral inquiries. The different types are as follows

   (a) Unstructured Interviews: involves a procedure where different questions may be asked different applicants.
   (b) Situational interview: candidates are interviewed about what actions they would take in various jobs related situations. The job related situations are usually identified using the critical incidents analysis techniques. The interviews are then scored using a scoring guide constructed by job experts.
   (c) Behavior description interviews: candidates are asked what actions they have taken in prior job situations that are similar to situations they may encounter on the job. The interviews are then scored using a scoring guide constructed by job experts.

(d) Comprehensive structured interviews: candidates are asked question pertaining to how they would handle job related situations, job knowledge offer a way to assess candidate's current level of knowledge related to relevant implicit dimensions of job performance.

(e) Structured Behavioral interview: this technique involves asking all interviewees standardized questions about how they handled past situations that were similar to situations they may encounter on the job. The interviewer may also ask discretionary probing questions for details for details of the situation the interviewer's behavior in the situation in the outcome.

7. **Physical examination:** If all goes well, then at this stage, a physical examination is conducted to make that the candidate enjoys sound health and does not suffer from any serious ailment. Medical examination would include general physical exams, aids testing etc. in the have been used as a selection variable testing on those who have already been selected, often for medical aid reasons.

8. **Job offer:** A candidate who clears all the steps in finally considered right for a particular job and its presented with the job offer. An applicant can be dropped at any given stage if considered unfit for the job. Only after successfully clearing all the hurdles, an applicant can enjoy the feeling of being selected for a particular.

9.2 ORIENTATION AND TRAINING

Orientation or induction is the task of introducing the new employees to the organization and its policies, procedures and rules. A typical formal orientation programmed may last a day or less in most organizations. During this time, the new employee is provided with information about the company, its history, its current position, the benefits for which he is eligible, leave rules, rest periods, etc. Also covered are the more routine things newcomer must learn such as location of the rest rooms, break rooms, packing spaces, cafeteria, etc. in some organizations, all this is done informally by attaching new employees to their seniors, who provide guidance on the above matters.

TRAINING PROCESS: Training is essential for job success. It can lead to higher production, fewer mistakes, greater job satisfaction and lower turnover. These benefits accrue to both the trainee and the organization, if managers understand the principles behind the training process.

1. **Modeling:** Modeling is simply copying someone else's behaviour. Passive class room learning does not leave any room for modeling. If we want to change people, it would be a good idea to have videotapes of people showing the desired behaviour. The selected model should provide the right kind of behaviour to be copied by others. A great deal of human behaviour is learned by modeling others. A great deal of human behaviour is learned by modeling others.

2. **Motivation:** For learning to take place, intention to learn is important. When the employee is motivated, he pays attentions to what is being said, done and presented. Motivation to learn is influenced by the answers to questions such as: how important is my job to me? How important is the information? Will learning help me progress in the company? People learn more quick when the material is important and relevant to them.

3. **Reinforcement:** If behaviour is rewarded, it probably will be repeated. Positive reinforcement consists of rewarding desired behavior. People avoid certain behaviors that invited criticism and punishment. A bank officer would want to do a post graduate course in finance, if it earns him increments and markes him eligible for further promotions. Both the external rewarded

9.3 Performance appraisal

A performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. Other aspects of individual employees are considered as well, such as organizational citizenship behavior, accomplishments, potential for future improvement, strengths and weaknesses, etc.

To collect PA data, there are three main methods: objective production, personnel, and judgmental evaluation. Judgmental evaluations are the most commonly used with a large variety of evaluation methods. Historically, PA has been conducted annually (long-cycle appraisals); however, many companies are moving towards shorter cycles (every six months, every quarter), and some have been moving into short-cycle (weekly, bi-weekly). The interview could function as “providing feedback to employees, counseling and developing employees, and conveying and discussing compensation, job status, or disciplinary decisions”. PA is often included in performance management systems. PA helps the subordinate answer two key questions: first, "What are your expectations of me?" second, "How am I doing to meet your expectations?"]

Performance management systems are employed “to manage and align" all of an organization's resources in order to achieve highest possible performance. “How performance is managed in an organization determines to a large extent the success or failure of the organization. Therefore, improving PA for everyone should be among the highest priorities of contemporary” organizations. Some applications of PA are compensation, performance improvement, promotions, termination, test validation, and more. While there are many potential benefits of PA, there are also some potential drawbacks. For example, PA can help facilitate management-employee communication. However, PA may result in legal issues if not executed appropriately, as many employees tend to be unsatisfied with the PA process. PAs created in and determined as useful in the United States are not necessarily able to be transferable cross-culturally

9.4 Applications of results

1. A central reason for the utilization of performance appraisals (PAs) is performance improvement (“initially at the level of the individual employee, and ultimately at the level of the organization”).
2. Other fundamental reasons include “as a basis for employment decisions (e.g. promotions, terminations, transfers),
3. It is a criteria in research (e.g. test validation),
4. PA aid with communication (e.g. allowing employees to know how they are doing and organizational expectations),
5. It help establish personal objectives for training” programs, for transmission of objective feedback for personal development, “as a means of documentation to aid in

keeping track of decisions and legal requirements" and in wage and salary administration.

6. Additionally, PAs can aid in the formulation of job criteria and selection of individuals "who are best suited to perform the required organizational tasks".

A PA can be part of guiding and monitoring employee career development PAs can also be used to aid in work motivation through the use of reward systems.

9.5 Potential benefits

There are a number of potential benefits of organizational performance management conducting formal performance appraisals (PAs). There has been a general consensus in the belief that PAs lead to positive implications of organizations. Furthermore, PAs can benefit an organization's effectiveness. One way is PAs can often lead to giving individual workers feedback about their job performance. From this may spawn several potential benefits such as the individual workers becoming more productive.

Other potential benefits include:

- **Facilitation of communication:** communication in organizations is considered an essential function of worker motivation. It has been proposed that feedback from PAs aid in minimizing employees' perceptions of uncertainty. Fundamentally, feedback and management-employee communication can serve as a guide in job performance.

- **Enhancement of employee focus through promoting trust:** behaviors, thoughts, and/or issues may distract employees from their work, and trust issues may be among these distracting factors. Such factors that consume psychological energy can lower job performance and cause workers to lose sight of organizational goals. Properly constructed and utilized PAs have the ability to lower distracting factors and encourage trust within the organization.

- **Goal Setting and desired performance reinforcement:** organizations find it efficient to match individual worker's goals and performance with organizational goals. PAs provide room for discussion in the collaboration of these individual and organizational goals. Collaboration can also be advantageous by resulting in employee acceptance and satisfaction of appraisal results.

- **Performance improvement:** well constructed PAs can be valuable tools for communication with employees as pertaining to how their job performance stands with organizational expectations. "At the organizational level, numerous studies have reported positive relationships between human resource management (HRM) practices" and performance improvement at both the individual and organizational levels.

- **Determination of training needs:** "Employee training and development are crucial components in helping an organization achieve strategic initiatives". It has been argued that for PAs to truly be effective, post-appraisal opportunities for training and development in problem areas, as determined by the appraisal, must be offered PAs can especially be instrumental for identifying training needs of new employees. Finally, PAs can help in the establishment and supervision of employees' career goals.

9.6 Potential complications

Despite all the potential advantages of formal performance appraisals (PAs), there are also potential drawbacks. It has been noted that determining the relationship between individual job performance and organizational performance can be a difficult task. Generally, there are two overarching problems from which several complications spawn. One of the problems with formal PAs is there can be detrimental effects to the organization(s) involved if the appraisals are not used appropriately. The second problem with formal PAs is they can be ineffective if the PA system does not correspond with the organisational culture and system.

Complications stemming from these issues are:

- **Detrimental to quality improvement:** it has been proposed that the use of PA systems in organizations adversely affect organizations' pursuits of quality performance. It is believed by some scholars and practitioners that the use of PAs is more than unnecessary if there is total quality management.

- **Subjective evaluations:** Traditional performance appraisals are often based upon a manager's or supervisor's perceptions of an employee's performance and employees are evaluated subjectively rather than objectively. Therefore the review may be influenced by many non-performance factors such as employee 'likeability', personal prejudices, ease of management, and/or previous mistakes or successes. Reviews should instead be based on data-supported, measurable behaviors and results within the performer's control.

- **Negative perceptions:** "Quite often, individuals have negative perceptions of PAs". Receiving and/or the anticipation of receiving a PA can be uncomfortable and distressful and potentially cause "tension between supervisors and subordinates" If the person being appraised does not trust their employer, appraiser or believe that they will benefit from the process it may become a "tick box" exercise.

- **Errors:** Performance appraisals should provide accurate and relevant ratings of an employee's performance as compared to pre-established criteria/goals (i.e. organizational expectations). Nevertheless, supervisors will sometimes rate employees more favorably than that of their true performance in order to please the employees and avoid conflict. "Inflated ratings are a common malady associated with formal"

- **Legal issues:** when PAs are not carried out appropriately, legal issues could result that place the organization at risk. PAs are used in organizational disciplinary programs as well as for promotional decisions within the organization. The improper application and utilization of PAs can affect employees negatively and lead to legal action against the organization.

- **Performance goals:** performance goals and PA systems are often used in association. Negative outcomes concerning the organizations can result when goals are overly challenging or overemphasized to the extent of affecting ethics, legal requirements, or quality. Moreover, challenging performance goals can impede on employees' abilities to acquire necessary knowledge and skills. Especially in the early stages of training, it would be more beneficial to instruct employees on outcome goals than on performance goals.

- **Derail merit pay or performance-based pay:** some researchers contend that the deficit in merit pay and performance-based pay is linked to the fundamental issues stemming from PA systems.

9.7 Improvements

Although performance appraisals can be so easily biased, there are certain steps that can be taken to improve the evaluations and reduce the margin of errors through the following:

- Training - Creating an awareness and acceptance in the people conducting the appraisals that within a group of workers, they will find a wide range in difference of skills and abilities.

- Providing Feedback to Raters - Trained raters provide managers who evaluated their subordinates with feedback, including information on ratings from other managers. This reduces leniency errors.

- Subordinate Participation - By allowing employee participation in the evaluation process, there is employee-supervisor reciprocity in the discussion for any discrepancies between self ratings and supervisor ratings, thus, increasing job satisfaction and motivation

Opposition: Not everyone is in favor of formal performance appraisal systems. Many employees, especially those most affected by such ratings are not very enthusiastic about them. There are many critics of these appraisals including labor unions and managers.

Execution

Human Resource Management (HRM) conducts performance management. Performance management systems consist of the activities and/or processes embraced by an organization in anticipation of improving employee performance, and therefore, organizational performance. Consequently, performance management is conducted at the organizational level and the individual level. At the organizational level, performance management oversees organizational performance and compares present performance with organizational performance goals. The achievement of these organizational performance goals depends on the performance of the individual organizational members. Therefore, measuring individual employee performance can prove to be a valuable performance management process for the purposes of HRM and for the organization. Many researchers would argue that “performance appraisal is one of the most important processes in Human Resource Management”.

The performance management process begins with leadership within the organization creating a performance management policy. Primarily, management governs performance by influencing employee performance input (e.g. training programs) and by providing feedback via output (i.e. performance assessment and appraisal). "The ultimate objective of a performance management process is to align individual performance with organizational performance". A very common and central process of performance management systems is performance appraisal (PA). The PA process should be able to inform employees about the "organization's goals, priorities, and expectations and how well they are contributing to them".

Periodicity: Performance appraisals (PAs) are conducted at least annually, and annual employee performance reviews appear to be the standard in most organizations. However, "it has been acknowledged that appraisals conducted more frequently (more than once a year) may have positive implications for both the organization and employee." It is suggested that regular performance feedback provided to employees may quell any unexpected and/or surprising feedback to year-end discussions. In a recent research study concerning the timeliness of PAs, "one of the respondents even suggested that the performance review should be done formally and more frequently, perhaps once a month, and recorded twice a year."

Other researchers propose that the purpose of PAs and the frequency of their feedback are contingent upon the nature of the job and characteristics of the employee. For example, employees of routine jobs where performance maintenance is the goal would benefit sufficiently from annual PA feedback. On the other hand, employees of more discretionary and non-routine jobs, where goal-setting is appropriate and there is room for development, would benefit from more frequent PA feedback. Non formal performance appraisals may be done more often, to prevent the element of surprise from the formal appraisal.

9.8 Methods of Collecting Data

There are three main methods used to collect performance appraisal (PA) data: objective production, personnel, and judgmental evaluation. Judgmental evaluations are the most commonly used with a large variety of evaluation methods.

1. **Objective production:** The objective production method consists of direct, but limited, measures such as sales figures, production numbers, the electronic performance monitoring of data entry workers, etc. The measures used to appraise performance would depend on the job and its duties. Although these measures deal with unambiguous criteria, they are usually incomplete because of criterion

contamination and criterion deficiency. Criterion contamination refers to the part of the actual criteria that is unrelated to the conceptual criteria. In other words, the variability in performance can be due to factors outside of the employee's control. Criterion deficiency refers to the part of the conceptual criteria that is not measured by the actual criteria. In other words, the quantity of production does not necessarily indicate the quality of the products. Both types of criterion inadequacies result in reduced validity of the measure. Regardless of the fact that objective production data is not a complete reflection upon job performance, such data is relevant to job performance.

2. **Personnel:** The personnel method is the recording of withdrawal behaviors (i.e. absenteeism, accidents). Most organizations consider unexcused absences to be indicators of poor job performance, even with all other factors being equal; however, this is subject to criterion deficiency. The quantity of an employee's absences does not reflect how dedicated he/she may be to the job and its duties. Especially for blue-collar jobs, accidents can often be a useful indicator of poor job performance, but this is also subject to criterion contamination because situational factors also contribute to accidents. Once again, both types of criterion inadequacies result in reduced validity of the measure. Although excessive absenteeism and/or accidents often indicate poor job performance rather than good performance, such personnel data is not a comprehensive reflection of an employee's performance.

3. **Judgmental evaluation:** Judgmental evaluation appears to be a collection of methods, and as such, could be considered a methodology. A common approach to obtaining PAs is by means of raters. Because the raters are human, some error will always be present in the data. The most common types of error are leniency error, central tendency errors, and errors resulting from the halo effect. Halo effect is characterized by the tendency to rate a person who is exceptionally strong in one area higher than deserved in other areas. It is the opposite of the Horns effect, where a person is rated as lower than deserved in other areas due to an extreme deficiency in a single discipline. These errors arise predominantly from social cognition and the theory in that how we judge and evaluate other individuals in various contexts is associated with how we "acquire, process, and categorize information".

An essential piece of this method is rater training. Rater training is the “process of educating raters to make more accurate assessments of performance, typically achieved by reducing the frequency of halo, leniency, and central-tendency errors”. Rater training also helps the raters “develop a common frame of reference for evaluation” of individual performance. Many researchers and survey respondents support the ambition of effectual rater training. However, it is noted that such training is expensive, time consuming, and only truly functional for behavioral assessments.

Another piece to keep in mind is the effects of rater motivation on judgmental evaluations. It is not uncommon for rating inflation to occur due to rater motivation (i.e. “organizationally induced pressures that compel raters to evaluate rates positively”). Typically, raters are motivated to give higher ratings because of the lack of organizational sanction concerning accurate/inaccurate appraisals, the rater's desire to guarantee promotions, salary increases, etc., the rater's inclination to avoid negative reactions from subordinates, and the observation that higher ratings of the rates reflect favorably upon the rater

9.9 The main methods used in judgmental performance appraisal are:

1. **Graphic Rating Scale:** Graphic rating scales are the most commonly used system in PA. On several different factors, subordinates are judged on 'how much' of that factor or trait they possess. Typically, the raters use a 5- or 7-point scale; however, there are as many as 20-point scales.

2. **Employee-Comparison Methods:** rather than subordinates being judged against pre-established criteria, they are compared with one another. This method eliminates central tendency and leniency errors but still allows for halo effect errors to occur. The rank-order method has raters ranking subordinates from “best” to “worst”, but how truly good or bad one is on a performance dimension would be unknown.

3. **The Paired-comparison method** requires the rater to select the two "best" subordinates out of a group on each dimension then rank individuals according to the number of times each subordinate was selected as one of the "best".

4. **The forced-distribution method** is good for large groups of rates. The raters evaluate each subordinate on one or more dimensions and then place (or "force-fit", if you will) each subordinate in a 5 to 7 category normal distribution The method of top-grading can be applied to the forced distribution method. This method identifies the 10% lowest performing subordinates, as according to the forced distribution, and dismisses them leaving the 90% higher performing subordinates.

5. **Behavioral Checklists and Scales:** behaviors are more definite than traits. The critical incidents method concerns "specific behaviors indicative of good or bad job performance". Supervisors record behaviors of what they judge to be job performance relevant, and they keep a running tally of good and bad behaviors. A discussion on performance may then follow.

6. **The Behaviourally Anchored Rating Scales** (BARS) combine the critical incidents method with rating scale methods by rating performance on a scale but with the scale points being anchored by behavioral incidents. Note that BARS are job specific.

7. In the **behavioral observation scale(BOS)** approach to performance appraisal, employees are also evaluated in the terms of critical incidents. In that respect, it is similar to BARS. However, the BOS appraisal rate subordinates on the frequency of the critical incidents as they are observed to occur over a given period. The ratings are assigned on a five-point scale. The behavioral incidents for the rating scale are developed in the same way as for BARS through identification by supervisors or other subject matter experts. Similarly, BOS techniques meet equal employment opportunity because they are related to actual behavior required for successful job performance.

9.10 Peer and self assessments

While assessment can be performed along reporting relationships (usually top-down), net assessment can include peer and self-assessment. Peer assessment is when assessment is performed by colleagues along both horizontal (similar function) and vertical (different function) relationship. Self-assessments are when individuals evaluate themselves.]are three common methods of peer assessments. Peer nomination involves each group member nominating who he/she believes to be the "best" on a certain dimension of performance. A peer rating has each group member rate each other on a set of performance dimensions. Peer ranking requires each group member rank all fellow members from "best" to "worst" on one or more dimensions of performance.

- **Self-assessments:** for self-assessments, individuals assess and evaluate their own behavior and job performance.

- **Peer assessments:** members of a group evaluate and appraise the performance of their fellow group members. There it is common for a graphic rating scale to be used for self-assessments. Positive leniency tends to be a problem with self-assessments.

- **360-degree feedback:** 360-degree feedback is multiple evaluations of employees which often include assessments from superior(s), peers, and one self.

- **Negotiated Performance Appraisal:** The Negotiated Performance Appraisal (NPA) is an emerging approach for improving communication between supervisors and subordinates and for increasing employee productivity, and may also be adapted to an alternate mediation model for supervisor-subordinate conflicts. A facilitator meets separately with the supervisor and with the subordinate to prepare three lists. What employees do well, where the employee has improved in recently, and areas where the employee still needs to improve. Because the subordinate will present his or her lists first during the joint session, this reduces defensive behaviors. Furthermore, the subordinate comes to the joint session not only prepared to share areas of needed improvement, but also brings concrete ideas as to how these improvements can be made. The NPA also focuses very strongly on what employees are doing well, and involves a minimum of twenty minutes of praise when discussing what the employee does well. The role of the facilitator is that of a coach in the pre-caucuses, and in the joint sessions the supervisor and subordinate mostly speak to each other with little facilitator interference.

In general, optimal PA process involves a combination of multiple assessment modalities. One common recommendation is that assessment flows from self-assessment, to peer-assessment, to management assessment - in that order. Starting with self-assessment facilitates avoidance of conflict. Peer feedback ensures peer accountability, which may yield better results than accountability to management. Management assessment comes last for need of recognition by authority and avoidance of conflict in case of disagreements. It is generally recommended that PA is done in shorter cycles to avoid high-stakes discussions, as is usually the case in long-cycle appraisals

Interviews: The performance appraisal (PA) interview is typically the final step of the appraisal process. The interview is held between the subordinate and supervisor. The PA interview can be considered of great significance to an organization's PA system. It is most advantageous when both the superior and subordinate participate in the interview discussion and establish goals together. Three factors consistently contribute to effective PA interviews: the supervisor's knowledge of the subordinate's job and performance in it, the supervisor's support of the subordinate, and a welcoming of the subordinate's participation.

Employee Reaction: Numerous researchers have reported that many employees are not satisfied with their performance appraisal (PA) systems. Studies have shown that subjectivity as well as appraiser bias is often a problem perceived by as many as half of employees. Appraiser bias, however, appears to be perceived as more of a problem in government and public sector organizations. Also, according to some studies, employees wished to see changes in the PA system by making "the system more objective, improving the feedback process, and increasing the frequency of review." In light of traditional PA operation defects, "organizations are now increasingly incorporating practices that may improve the system. These changes are particularly concerned with areas such as elimination of subjectivity and bias, training of appraisers, improvement of the feedback process and the performance review discussion."

According to a meta-analysis of 27 field studies, general employee participation in his/her own appraisal process was positively correlated with employee reactions to the PA system. More specifically, employee participation in the appraisal process was most strongly related to employee satisfaction with the PA system. Concerning the reliability of employee reaction measures, researchers have found employee reaction scales to be sound with few concerns through using a confirmatory factor analysis that is representative of employee reaction scales.

Researchers suggest that the study of employees' reactions to PA is important because of two main reasons: employee reactions symbolize a criterion of interest to practitioners of PAs and employee reactions have been associated through theory to determinants of appraisal acceptance and success. Researchers translate these reasons into the context of the scientist-practitioner gap or the “lack of alignment between research and practice.”

Schultz & Schultz notes that opposition to performance appraisals generally don't receive positive ratings from anyone involved. "So employees that will be directly affected by the Performance Appraisals are less than enthusiastic about participating in them". When an employee knows that their work performance has been less than perfect it’s nerve racking to be evaluated. Most workers just don’t appreciate constructive criticism or any criticism. Employees tend to be hostile knowing they could be given bad news on their performance.

Developments in information technology: Computers have been playing an increasing role in PA for some time There are two main aspects to this. The first is in relation to the electronic monitoring of performance, which affords the ability to record a huge amount of data on multiple dimensions of work. The second aspect is in mediating the feedback process, by recording and aggregating performance ratings and written observations and making the information available on-line; many software packages are available for this. The use of IT in these ways undoubtedly helps in making the appraisal process more manageable, especially where multiple rating sources are involved, but it also raises many questions about appraises' reactions and possible effects on PA outcomes. Mostly, the evidence so far is positive.

9.11 JOB EVALUATION

A job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure.

Job evaluation needs to be differentiated from job analysis. Job analysis is a systematic way of gathering information about a job. Every job evaluation method requires at least some basic job analysis in order to provide factual information about the jobs concerned. Thus, job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay equity between jobs.

The process of job evaluation involves the following steps:

- **Gaining acceptance:** Before undertaking job evaluation, top management must explain the aims) and uses of the programmer to the employees and unions. To elaborate the program further, oral presentations could be made. Letters, booklets could be used to classify all relevant aspects of the job evaluation program me.

- **Creating job evaluation committee:** It is not possible for a single person to evaluate all the key jobs in an organization. Usually a job evaluation committee consisting of experienced employees, union representatives and HR experts is created to set the ball rolling.
- **Finding the jobs to be evaluated:** Every job need not be evaluated. This may be too taxing and costly. Certain key jobs in each department may be identified. While picking up the jobs, care must be taken to ensure that they represent the type of work performed in that department.
- **Analyzing and preparing job description:** This requires the preparation of a job description and also an analysis of job needs for successful performance.
- **Selecting the method of evaluation:** The most important method of evaluating the jobs must be identified now, keeping the job factors as well as organizational demands in mind.
- **Classifying jobs:** The relative worth of various jobs in an organization may be found out after arranging jobs in order of importance using criteria such as skill requirements, experience needed, under which conditions job is performed, type of responsibilities to be shouldered, degree of supervision needed, the amount of stress caused by the job, etc. Weights can be assigned to each such factor. When we finally add all the weights, the worth of a job is determined. The points may then be converted into monetary values.

Once the evaluation process is over and a plan of action is ready, management must explain it to employees and put it into operation.

Reviewing periodically: In the light of changes in environmental conditions (technology, products, services, etc.) jobs need to be examined closely. For example, the traditional clerical functions have undergone a rapid change in sectors like banking, insurance and railways after computerization. New job descriptions need to be written and the skill needs of new jobs need to be duly incorporated in the evaluation process. Otherwise, employees may feel that all the relevant job factors - based on which their pay has been determined - have not been evaluated properly.

For job evaluation to be practicable it is necessary:

- That jobs can be easily identified
- That there are sufficient differences between different jobs; and
- That agreements know the relative importance or worth of different jobs can be negotiated between the enterprise and its employees and/or their representatives..

Benefits

The pay offs from job evaluation may be stated thus:

- It tries to link pay with the requirements of the job.
- It offers a systematic procedure for determining the relative worth of jobs. Jobs are ranked on the basis of rational criteria such as skill, education, experience, responsibilities, hazards, etc., and are priced accordingly.
- An equitable wage structure is a natural outcome of job evaluation. An unbiased job evaluation tends to eliminate salary inequities by placing jobs having similar requirements in the same salary range.
- Employees as well as unions participate as members of job evaluation committee while determining rate grades for different jobs. This helps in solving wage related grievances quickly.
- Job evaluation, when conducted properly and with care, helps in the evaluation of new jobs.
- It points out possibilities of more appropriate use of the plant's labour force by indicating jobs that need more or less skilled workers than those who are manning these jobs currently.

Methods: There are three basic methods of job evaluation: (1) ranking, (2) classification, (3) factor comparison. While many variations of these methods exist in practice, the three basic approaches are described here.

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

relative difficulty in performing them. The jobs are examined as a whole rather than on the basis of important factors in the job; the job at the top of the list has the highest value and obviously the job at the bottom of the list will have the lowest value. Jobs are usually ranked in each department and then the department rankings are combined to develop an organizational ranking. The variation in payment of salaries depends on the variation of the nature of the job performed by the employees. The ranking method is simple to understand and practice and it is best suited for a small organization. Its simplicity however works to its disadvantage in big organizations because rankings are difficult to develop in a large, complex organization. Moreover, this kind of ranking is highly subjective in nature and may offend many employees. Therefore, a more scientific and fruitful way of job evaluation is called for.

2. **Classification method:** According to this method, a predetermined number of job groups or job classes are established and jobs are assigned to these classifications. This method places groups of jobs into job classes or job grades. Separate classes may include office, clerical, managerial, personnel, etc. Following is a brief description of such a classification in an office.

    - Class I - Executives: Further classification under this category may be Office Manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.

    - Class II - Skilled workers: Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc,.

    - Class III - Semiskilled workers: Under this category may come Steno typists, Machine-operators, Switchboard operator etc.

    - Class IV - Unskilled workers: This category comprises Dafter is File clerks, Office boys, etc.

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

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

Factor comparison method

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, responsibility, supervisory responsibility, working conditions and other such factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighted by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor.

The steps involved in factor comparison method may be briefly stated thus:

- Select key jobs (say 15 to 20), representing wage/salary levels across the organisation. The selected jobs must represent as many departments as possible.
- Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).
- Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
- Assign money value to each level of each factor (example: consider problem solving is one of the factor, what level of problem solving is required {basic, intermediate or advance}) and determine the wage rates for each key job.
- The wage rate for a job is apportioned along the identified factors.

- All other jobs are compared with the list of key jobs and wage rates are determined. An example of how the factor comparison method works is given below:

After the wage rate for a job is distributed along the identified and ranked factors, all other jobs in the department are compared in terms of each factor. Suppose the job of a 'painter' is found to be similar electrician in skill (15), fitter in mental effort (10), welder in physical effort (12) cleaner in responsibility! (6) and laborer in working conditions (4). The wage rate for this job would be (15+10+12+6+4) is47.j

Point method: This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritizing each factor in order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:

1. Select key jobs. Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.
2. Divide each major factor into a number of sub factors. Each sub factor is defined and expressed clearly in the order of importance, preferably along a scale. The most frequent factors employed in point systems are (i) Skill (key factor); Education and training required, Breadth/depth of experience required, Social skills required, Problem-solving skills, Degree of discretion/use of judgment, Creative thinking (ii) Responsibility/Accountability: Breadth of responsibility, Specialized responsibility, Complexity of the work, Degree of freedom to act, Number and nature of subordinate staff, Extent of accountability for equipment/plant, Extent of accountability for product/materials; (iii) Effort: Mental demands of a job, Physical demands of a job, Degree of potential stress The educational requirements (sub factor) under the skill (key factor) may be expressed thus in the order of importance.

3. Find the maximum number of points assigned to each job (after adding up the point values of all sub-factors of such a job).This would help in finding the relative worth of a job. For instance, the maximum points assigned to an officer's job in a bank come to 540. The manager's job, after adding up key factors + sub factors points, may be getting a point value of say 650 from the job evaluation committee. This job is now priced at a higher level.

4. Once the worth of a job in terms of total points is expressed, the points are converted into money values keeping in view the hourly/daily wage rates. A wage survey is usually undertaken to collect wage rates of certain key jobs in the organization. Let's explain this:

Market Pricing: Market pricing is the process for determining the external value of jobs, allowing you to establish wage and salary structures and pay rates that are market sensitive. Job matching session is conducted.

Merits and Demerits: The point method is a superior and widely used method of evaluating jobs. It forces raters to look into all key factors and sub-factors of a job. Point values are assigned to all factors in a systematic way, eliminating bias at every stage. It is reliable because raters using similar criteria would get more or less similar answers. The methodology underlying the approach contributes to a minimum of rating error. It accounts for differences in wage rates for various jobs on the strength of job factors. Jobs may change over time, but the rating scales established under the point method remain unaffected. On the negative side, the point method is complex. Preparing a manual for various jobs, fixing values for key and sub-factors, establishing wage rates for different grades, etc., is a time consuming process, According to Decenzo and Robbins, "the key criteria must be carefully and clearly identified, degrees of factors have to be agreed upon in terms that mean the same to all rates, the weight of each criterion has to be established and point values must be assigned to degrees". This may be too taxing, especially while evaluating managerial jobs where the nature of work (varied, complex, novel) is such that it cannot be expressed in quantifiable numbers.

Limitations

1. Job evaluation is not exactly scientific.
2. The most of the techniques are difficult to understand, even for the supervisors.
3. The factors taken by the programme are not exhaustive.
4. There may be wide fluctuations in compensable factors in view of changes in technology, values and aspirations of employers, etc.
5. Employees, trade union leaders, management and the programme operators may assign different weight to different factors, thus creating grounds for dispute.

Job Design: Job analysis provides job-related data as well as the skills and knowledge required for the incumbent to perform the job. A better job performance also requires deciding on sequence of job contents. This is called 'job design'. Job design is a logical sequence to job analysis. In other words, job design involves specifying the contents of a job, the work methods used in its performance and how the job relates to other jobs in the organisation. Michael Armstrong has defined job design as "the process of deciding on the contents of a job in terms of its duties and responsibilities, on the methods to be used in carrying out the job, in terms of techniques, systems and procedures, and on the relationships that should exist between the job holder and his superiors, subordinates and colleagues". It is a process that integrates work content (tasks, functions, relationships), the rewards(extrinsic and intrinsic), and the qualifications required (skills, knowledge, abilities) for each job in a way that meets the needs of employees and organisations."

Having gone through the above definitions of job design, it can now be described as a deliberate attempt made to structure both technical and social aspects of the job to attain a fit between the individual (job holder) and the job. The very idea is that job should be designed in such a way as to enable employees to control over the aspects of their work.

9.12 Techniques for Job Design:

Basically, there are four techniques used in the design of jobs. These include Job simplification, job enlargement, job enrichment and job rotation.

1. **Job simplification:** Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs. Simplification of work requires that jobs be broken down into their smallest units and then analysed. Each resulting sub-unit typically consists of relatively few operations. These subunits are then assigned to the workers as their total job. Many fast food restaurants such as McDonald’s, Burger King and Nirula’s use simplification because employees can learn tasks rapidly; short work cycles allow task performance with little or no mental effort and low-skilled and low-paid employees can be hired and trained easily. On the negative side, job simplification results in workers experiencing boredom, frustration, alienation, lack of motivation and low job satisfaction. This, in turn, leads to lower productivity and increased cost.

2. **Job enlargement:** Job enlargement expands a job horizontally. It increases job scope; that is, it increases the number of different operations required in a job and the frequency with which the job cycle is repeated. By increasing the number of tasks an individual performs, job enlargement increases the job scope, or job diversity. Instead of only sorting the incoming mail by department, for instance, a mail sorter's job could be enlarged to include physically delivering the mail to the various departments or running outgoing letters through the postage meter.

3. **Job rotation:** Job rotation refers to the movement of an employee from one job to another. Jobs themselves are not actually changed, only the employees are rotated among various jobs. An employee who works on a routine job moves to work on another job for some hours/days/months and returns to the first job. This measure relieves the employee from the boredom and monotony, improves the employee's skills regarding various jobs and prepares worker's self-image and provides personal growth. However, frequent job rotations are not advisable in view of their negative impact on the organisation and the employee.

4. **Job enrichment:** Job enrichment, as currently practiced in industry, is a direct outgrowth of Herzberg's Two Factor Theory of motivation. It is, therefore, based on the assumption that in order to motivate personnel, the job itself must provide opportunities for achievement recognition, responsibility, advancement and growth. The basic idea is to restore to jobs the elements of interest that were taken away under intensive specialization. Job enrichment tries to embellish the job with factors that Herzberg characterized as motivators: achievement, recognition, increased responsibilities, opportunities for growth, advancement and increased competence. There is an attempt to build into jobs a higher sense of challenge and achievement, through vertical job loading. The above 6 Job enrichment has four unique aspects:
    - It changes the basic relationship between employees and their work.
    - It changes employee behaviors in ways that gradually lead to more positive attitudes about the organisation and a better self-image. Feeling of autonomy and personal freedom help employees view their jobs in a favorable way.
    - It helps the employer to bring about organizational changes easily, securing employee cooperation and commitment.

- Job enrichment can humanize an organisation. 'Individuals can experience the psychological that comes from developing new competencies and doing a job well. Individuals are encouraged to grow and push themselves.'

Many companies in India realized the importance of offering jobs having depth, variety and meaningfulness to their employees long back ICICI, Procter and Gamble, Infosys, Bharat Petroleum, Asian Paints, HLL and Hughes Software have certain things in common: greater opportunities to grow vertically, open communication, flexible working hours, excellent reward schemes, employee-oriented work environment, sharing with and learning from others etc.

PAY-FOR-PERFORMANCE: Pay-for-performance (“P4P”) describes complementary health care payment models that offer financial rewards to providers who achieve or exceed specified quality benchmarks. Most approaches adjust aggregate payments to physicians and hospitals on the basis of performance on a number of different quality measures. Payments may be made at the individual, group, or institutional level. Performance maybe measured using benchmarks or relative comparisons. In general, three types of performance measures may be used: structure, process, and outcome.

Measures of structure include the use of resources that help improve care delivery (e.g., personnel such as diabetes educators or nutritionists, and infrastructure such as electronic medical record systems). Process measures include the delivery of clinical services that facilitate positive health outcomes—such as testing hemoglobin A1c levels in patients with diabetes, or prescribing aspirin to heart attack patients upon admission to a hospital. Outcome measures typically include clinical outcomes such as whether diabetic or hypertensive patients have controlled blood pressure, or whether hospital patients are re-admitted for potentially avoidable conditions.

How are P4P payments structured?

P4P approaches adjust aggregate payments to physicians and hospitals on the basis of performance, generally measured as: (1) performance on agreed upon quality measures relative to the performance of other providers in a market; (2) absolute performance, i.e. attainment of predetermined quality targets; and/or (3) quality improvements over time, compared with relative or absolute quality improvement benchmarks. Performance payments based on selected quality measures (and in some cases the cost of care) may be disbursed in a number of ways: they may be made to hospitals, networks of physicians, medical group practices, or individual physicians; they may be made as a percentage of total provider fees for relevant care, or on a “per member” basis (per month or annually) for specific patients—for example, patients with specific diagnoses, whose care determines provider performance on selected measures. Payments may also be made to provider entities as a percentage of cost savings achieved relative to a benchmark. In some cases payers may reduce payment to providers for poor performance compared with peers or for not meeting performance goals.

Though not strictly a quality measure, cost efficiency is another domain that payers analyze when measuring provider performance. In some P4P programs, providers receive bonus payments when they meet specific performance criteria and also deliver care efficiently (usually compared with other providers’ costs of care for patients with certain conditions).

Intended Effects: P4P programs are intended to increase the provision of quality care and decrease health care costs over the long term. This is done by helping patients become and remain healthy for longer periods of time. Most P4P programs target patients with high-cost conditions—including chronic conditions (such as diabetes, asthma, coronary artery disease, or congestive heart failure) and acute conditions (such as heart attack and hip and knee replacements). They rely on the use of evidence-based guidelines, coupled with infrastructure such electronic medical records and computerized physician order entry systems to improve health outcomes. Some P4P programs also encourage more efficient coordination of care for more complex patients who require care from a number of different providers.

Incentives for Providers. Financial rewards (or penalties) for meeting (or failing to meet) predetermined quality measures are expected to lead to improved quality of care. Quality of care improvements may include increased provision of recommended services, upgrades to practice infrastructure, and/or improvements in health outcomes.

Potential Problems. Current P4P programs tends to have a narrow clinical focus, which can lead providers to focus on the aspects of care that correspond to quality measures and pay less attention to other aspects of care. In addition, P4P payments may represent too small a fraction of provider reimbursement to have a significant effect on behavior.

- **Narrow clinical focus.** Most P4P programs rely on a narrow set of quality measures aimed at a limited number of services and patient groups. To the extent that P4P incentives are effective, some are concerned that providers might focus their attention to patients with conditions that relate to quality measures (i.e., “manage to the metric”), jeopardizing performance on quality dimensions that are not.

- **Lack of coordination among payers.** Differences among payers in the quality measures that are used and how financial incentives are structured may produce diffuse and ineffective incentives. In addition, the lack of coordination across P4P programs and quality measures leads some to believe that current P4P programs fail may to encourage care coordination and communication among providers.
- **Incentives in the underlying payment system.** Most P4P programs supplement fee-for-service and capitation payment systems, and the funds available through P4P programs (while they have increased) still account for small percentages of provider reimbursement As a result, P4P programs as they now exist may not effectively mitigate the volume and efficiency incentives inherent in fee-for-service and capitation payment.
- **Attribution, Risk Selection, and "Cherry Picking."** When P4P programs include health outcome performance measures, providers may be at risk not only for the quality of care they provide, but potentially also for patient behavior and for outcomes of care that other providers render to that patient. It can be difficult to determine which outcomes should be attributed to which providers in making P4P payments. In addition, providers may be concerned that outcomes-based P4P programs might penalize them for accepting sicker patients, encouraging "cherry picking" of the healthiest patients. While risk adjustment methods can be used to mitigate risk selection, methods to risk adjust at the provider level are not well developed.
- **Small Numbers and Statistical Precision.** Because P4P quality measures often focus on specific clinical conditions, the data for a particular provider may be based on a relatively small number of patients. This can make provider-level estimates imprecise or unstable, particularly when just one payer is implementing the P4P program. These issues may be addressed in a number of ways: by developing composite measures across clinical conditions, expanding the measurement time window, an d/or developing multi-payer P4P programs.

Experience with implementation: Many private and public payers have developed P4P programs. A 2006 survey of commercial HMOs found such programs to be more prevalent in the eastern and western portions of the country. Analysis of 27 P4P programs administered by major health plans (and a few payer/purchaser coalitions) in 2004 and 2007 indicates that most programs initially relied on structure and process measures, but that payers increasingly are measuring outcomes and cost efficiency as well. Most P4P programs have been directed to physicians, though a number of programs also include hospitals.

Most state Medicaid programs operate P4P programs. As of mid-2006, more than half of states were reported to be operating at least one P4P program, and 85 percent were expected to do so within the next five years. Most state Medicaid P4P programs operate in managed care or primary care case management environments, and include incentives to encourage delivery of primary care.

Evidence: To date, there have been relatively few rigorous evaluations of the effects of P4P programs. Consequently, while there is evidence of an association between P4P and improved care and health outcomes, the evidence is not strong and it has been difficult to establish causality between P4P financial incentives and improved care and health outcomes.

One review considered nine physician programs, of which six focused on diabetes care. Seven offered some type of bonus payments for achieving quality benchmarks, while two returned a percentage of withheld funds. Just one program rewarded both improvement and meeting benchmarks. A second review considered 17 evaluations of physician P4P programs. Nine of these evaluations studied the use of financial incentives directed to provider groups. However, the methodologically strong evaluations, using randomized trials evaluating group-level incentives for preventive health services, found no effect of incentives when compared with the control group.

QUESTION FOR DISCUSSION

1. **What is selection process**
2. **What are the selection function**
3. **What is personality inventory**
4. **Discuss the training process**
5. **Explain the performers appraisals**
6. **What is the compensation**
7. **Explain the job evaluation**

LESSON – 10

INDUSTRIAL RELATION

CONTENTS

10.1 INDUSTRIAL RELATION AND COLLECTIVE BARGAINING:

Legislative history: The history of labour legislation in India is naturally interwoven with the history of British colonialism. Considerations of British political economy were naturally paramount in shaping some of these early laws. In the beginning it was difficult to get enough regular Indian workers to run British establishments and hence laws for indenturing workers became necessary. This was obviously labour legislation in order to protect the interests of British employers. Then came the Factories Act. It is well known that Indian textile goods offered stiff competition to British textiles in the export market and hence in order to make India labour costlier the Factories Act was first introduced in 1883 because of the pressure brought on the British parliament by the textile magnates of Manchester and Lancashire. Thus we received the first stipulation of eight hours of work, the abolition of child labour, and the restriction of women in night employment, and the introduction of overtime wages for work beyond eight hours. While the impact of this measure was clearly welfarist the real motivation was undoubtedly protectionist! To date, India has ratified 39 International Labour Organisation (ILO) conventions of which 37 are in force. Of the ILO's eight fundamental conventions, India has ratified four - Forced Labour 1930, Abolition of Forced Labour 1957, Equal Remuneration 1951, and Discrimination (employment and occupation) 1958.

The organised and the unorganised: An important distinction that is popularly made nowadays in all discussions relating to labour legislation is between workers in the organised/formal sector and those in the informal/informal sector especially because out of the total workforce in the country, 92 percent work in the informal sector while only eight percent work in the formal sector. At the outset it must therefore be remembered that those who were unorganised yesterday are organised today and those who are unorganised today aspire to become the organised tomorrow. Moreover, many rights, benefits, and practices, which are popularly recognised today as legitimate rights of the workers, are those that have accrued as a result of the struggles carried out by the earlier generation of workers.

Wage determination in the unorganised sector: Wage determination in India has been achieved by various instruments. For the unorganised sector the most useful instrument is the Minimum Wages Act 1948. This law governs the methods to fix minimum wages in scheduled industries (which may vary from state to state) by using either a committee method or a notification method. A tripartite Advisory Committee with an independent Chairman advises the Government on the minimum wage.

Dispute settlement machinery: The Industrial Disputes Act 1947 (IDA) provides for the settlement machinery above. The framework of this legislation, which is the principle legislation dealing with core labour issues, is of colonial origin. This law originated firstly in the Trade Disputes Act 1929, introduced by the British, when there was a spate of strikes and huge loss of person days and secondly through Rule 81A of the Defence of India Rules 1942, when the British joined the war efforts and wanted to maintain wartime supplies to the allied forces. Interestingly the interim government on the eve of formal independence retained this framework by enacting the IDA, which still remains on the statute book.

Developments after independence: Even though the IDA was primarily meant for industry in the organised sector, its present application has now extended well into the unorganised sector, through judge-made law. Its pro-worker protection clauses and safeguards against arbitrary job losses have evolved over a period of time both through the process of sustained legislative amendments and through the process of judicial activism spread over more than six decades. The original colonial legislation underwent substantial modification in the post-colonial era because independent India called for a clear partnership between labour and capital. The content of this partnership was unanimously approved in a tripartite conference in December 1947 in which it was agreed that labour would be given a fair wage and fair working conditions and in return capital would receive the fullest co-operation of labour for uninterrupted production and higher productivity as part of the strategy for national economic development and that all concerned would observe a truce period of three years free from strikes and lockouts.

Globalisation: The most distinctly visible change from globalisation is the increased tendency for offloading or subcontracting. Generally this is done through the use of cheaper forms of contract labour, where there is no unionisation or associated or no statutorily fixed minimum wages. Occasionally the tendency to bring contract labour to the mother plant itself is seen. This is very often preceded by downsizing, and since there is statutory regulation of job losses, the system of voluntary retirement with the 'golden handshake' is widely prevalent, both in public and private sectors.

Implementation of labour laws: The Ministry of Labour has the responsibility to protect and safeguard the interests of workers in general and those constituting the deprived and the marginal classes of society in particular with regard to the creation of a healthy work environment for higher production and productivity. The Ministry seeks to achieve this objective through enacting and implementing labour laws regulating the terms and conditions of service and employment of workers. In 1966, the Ministry appointed the First National Labour Commission (NLC) to review the changes in the conditions of labour since independence and also to review and assess the working of the existing legal provisions. The NLC submitted its report in 1969. The important recommendations of NLC have been implemented through amendments of various labour laws. In the areas of wage policy, minimum wages, employment service, vocational training, and worker's education, the recommendations made by the NLC have been largely taken into account in modifying policies, processes, and programmes of the government. In order to ensure consistency between labour laws and changes in economic policy, and to provide greater welfare for the working class, the Second NLC was constituted in 1999.

10.2 TRADE UNIONS

Trade Unions are voluntary organization of Workers as well as Employers formed to protect and promote the interest of their members. They are the most suitable organizations for balancing and improving the relations between the employer and the employees. They have made headway due to rapid industrial development. The workers come together to maintain and improve their bargaining power on wages and working conditions. The first organized Trade Union in India named as the Madras Labour Union was formed in the year 1918. From the beginning itself, Trade Unions were not confined to workers alone. From 19thCentury it there were Employer's associations in the form of Chamber of Commerce, Industrial Associations etc. to protect and promote the interests of their members in a concerted manner. After independence, expansion of industrial activity and grouping worker's Trade Unions acted as a spur for strengthening and expansion of employers' organization

In industrially advanced countries, trade unionism has made a great impact on the social, political and economic life. India, being an agricultural country, trade unionism is restricted to industrial areas and it is still in a stage of growth. The earliest known trade unions in India were the Bombay Millhand's Association formed in 1890, the Amalgamated Society of railway servants of India and Burma formed in 1897, Printers' Union formed in Calcutta in 1905, the Bombay Postal Union which was formed in 1907, the KamgarHitwardhak Sabah Bombay formed in 1910.

Trade Union movement began in India after the end of First World War. After a decade following the end of First World War the pressing need for the coordination of the activities of the individual unions was recognized. Thus, the All India Trade Union Congress was formed in 1920 on a National Basis, the Central Labour Board, Bombay and the Bengal Trades Union Federation was formed in 1922. The All India Railway men's Federation was formed in the same year and this was followed by the creation of both Provincial and Central federations of unions of postal and telegraph employees.

The origin of the passing of a Trade Unions Act in India was the historic Buckingham Mill case of 1940 in which the Madras High Court granted an interim injunction against the Strike Committee of the Madras Labour Union forbidding them to induce certain workers to break their contracts of employment by refusing to return to work. Trade Union leaders found that they were liable to prosecution and imprisonment for bona fide union activities and it was felt that some legislation for the protection of trade union was necessary. In March, 1921, Shri N. M. Joshi, then General Secretary of the All India Trade Union Congress, successfully moved a resolution in the Central Legislative Assembly recommending that Government should introduce legislation for the registration and protection of trade unions. Opposition from employers to the adoption of such a measure was, however, so great that it was not until 1926 that the Indian Trade Unions Act was passed.

Indian Trade Unions Bill, 1925 having been passed by the Legislature received its assent on 25th March, 1926. It came into force on 1st June, 1927 as the Indian Trade Unions Act, 1926 (16 of 1926). By section 3 of the Indian Trade Unions (Amendment) Act, 1964 (38 of 1964) the word "Indian" has been omitted and now it is known as THE TRADE UNIONS ACT, 1926 (16 of 1926).This act summarizes all modalities pertaining to registration of trade union to decision of trade related disputes. This act sets guidelines for both the workers and the industrialists. The Act deals with the registration of trade unions, their rights, their liabilities and responsibilities as well as ensures that their funds are utilized properly. It gives legal and corporate status to the registered trade unions. It also seeks to protect them from civil or criminal prosecution so that they could carry on their legitimate activities for the benefit of the working class. The Act is applicable not only to the union of workers but also to the association of employers. It extends to whole of India. Also, certain Acts, namely, the Societies Registration Act, 1860; the Co-operative Societies Act, 1912; and the Companies Act, 1956 shall not apply to any registered trade union, and that the registration of any such trade union under any such Act shall be void. The main provisions made in this Act are as under:

Trade Union: Trade Union means any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.

Registration of Trade Union: The Act provides for the registration of the trade unions with the 'Registrars of Trade Unions' set up in different States. For registration of a trade union, seven or more members of the union can submit their application in the prescribed form to the Registrar of trade unions. The application shall be accompanied by a copy of the 'rules of the trade union' and a statement giving the following particulars:- (i) Names, occupations and addresses of the members making the application; (ii)The name of the trade union and the address of its head office; (iii) The titles, names, ages, addresses and occupations of the office bearers of the trade union as per the format given in the Act. The Registrar, on being satisfied that the Union has complied with all the requirements of this Act, registers the trade union.

Registration Certificate: On receipt of the application for registration, the Registrar issues a certificate of registration in the prescribed form as a conclusive evidence of registration of that trade Union.

Cancellation of Registration: A certificate of Registration may be withdrawn or cancelled by the Registrar either after an application of a Trade Union or if the Registrar is satisfied that the certificate is obtained by fraud of mistake or that the trade union had ceased to exist or willfully and after notice from the Registrar contra vent any provisions of the Act or rules etc.

Annual Statutory Returns: The registered trade unions (workers & employers) are required to submit annual statutory returns to the Registrar regarding their membership, general funds, sources of income and items of expenditure and details of their assets and liabilities, which in turn submits a consolidated return of their state in the prescribed preformed to Labour Bureau, Ministry of Labour and Employment. The Labour Bureau on receiving the annual returns from different States/Union Territories consolidates the all India statistics and disseminates them through its publication entitled the 'Trade Unions in India' and its other regular publications. Every trade union shall send annual returns to the Registrar in triplicate on or before the 1st day of June of the year succeeding the calendar year.

Uses of Funds: The general funds of a registered trade union shall not be spent on any other objects than those specified in the Act. Also, a registered trade union may constitute a separate fund, from contributions separately levied for or made to that fund, for the promotion of the civic and political interest of its members. No member shall be compelled to contribute to such fund and a member who does not contribute to the said fund shall not be excluded from any benefits of the trade union.

Maintenance of Accounts: The account books of a registered trade union and the list of members thereof shall be open to inspection by an office-bearer or member of the trade union at such times as may be provided for in the rules of trade union.

Disqualification: A person shall be disqualified for being chosen as, and for being a member of, the executive or any other office-bearer or registered trade union if- (i) he has not attained the age of eighteen years; (ii) he has been convicted by a court in India of any offence involving moral turpitude and sentenced to imprisonment, unless a period of five years has elapsed since his release.

The Trade Unions Act 1926 has been amended from time to time and the most important being the Trade Unions (Amendment) Act, 2001. This Act has been enacted in order to bring more transparency and to provide greater support to trade unionism in India. Some of the salient features of the Trade Unions (Amendment) Act, 2001 are:-

- No trade union of workmen shall be registered unless at least 10% or 100, whichever is less, subject to a minimum of 7 workmen engaged or employed in the establishment or industry with which it is connected are the members of such trade union on the date of making of application for registration.
- A registered trade union of workmen shall at all times continue to have not less than 10% or 100 of the workmen, whichever is less, subject to a minimum of 7 persons engaged or employed in the establishment or industry with which it is connected, as its members.
- A provision for filing an appeal before the Industrial Tribunal / Labour Court in case of non-registration or for restoration of registration has been provided.
- All office bearers of a registered trade union, except not more than one third of the total number of office bearers or five, whichever is less, shall be persons actually engaged or employed in the establishment or industry with which the trade union is connected.
- Minimum rate of subscription by members of the trade union is fixed at Rs 1 per annum for rural workers, three rupees per annum for workers in other unorganized sectors and Rs 12 rupees per annum in all other cases.
- The employees who have been retired or have been retrenched shall not be construed as outsiders for the purpose of holding an office in the trade union concerned.
- For the promotion of civic and political interest of its members, unions are authorized to set up separate political funds. Growth of Trade Union (Workers & Employers Combined)

As per the information available that pertains to2008, numbers of registered trade unions have increased by about 31% in the ten years duration i.e. 1999-2008 to 84,642 registered unions. However the number declined by about 12 per cent and the average membership per union declined from 1063 in 2007 to 986 in 2008. Out of the registered trade unions, only 9709 unions (11.47 per cent) have submitted returns during 2008 and amongst the States/UT's, the information has been furnished only by 13 states/UT's . On the basis of available information, Tamil Nadu accounted for the largest number of registered trade unions (8,793) followed by Rajasthan an (4,593). Out of the total of 27,137 registered unions in the 13 states , as many as 27,063 unions (99.73 percent) were Workers Unions and remaining 74 (0.27 percent) were Employer Unions.

Workers Union: Out of 27, 063 Workers Unions, 88.76 percent were State Unions and remaining 11.24 percent were Central Unions. State Unions are those unions, whose activities/objectives are confined to the boundaries of the State, while Central Unions have activities/objectives beyond a State boundary. During 2008, out of 27,063 registered workers unions, only 9702 unions (35.85 percent) had submitted the returns. The average membership per workers unions was 986 only. Industrial Activity Wise Distribution of Workers Unions

Submitting Returns: Out of the 9702 unions that submitted returns during 2008 , 3452 unions (about 40%) belonged to the manufacturing group , followed by 'Other community, social and Personal Services Activities' (1374 unions, 14 percent) & Transport Storage & Communication (1334, 14 per cent).

Income and Expenditure of Workers' Unions: During 2008, total Income and Expenditure of all workers unions was Rs 113.81 Crore and Rs 80.99 Crore respectively. The Income and Expenditure of Workers Central Unions was Rs 44.79 Crore and Rs 24.10 Crore respectively. The remaining Income and Expenditure of Rs 69.02 Crore and Rs 56.89 Crore respectively pertained to State Unions. The highest income and expenditure of Central Unions and as well as for State Unions these were in Tamil Nadu.

Employers Union: In 2008, out of 74 registered, Employers Unions, 7 unions (i.e. 9.46 percent) had submitted returns. All the employers, trade unions submitting returns were State Unions. These unions had a membership of 6,924 persons, out of which only 1,012 (14.62percent) were women. The average membership per employers union was 989. Highest number of Employers Unions submitting returns was 4 in 'Manufacturing' whereas Real Estate Renting & Business Activities had highest membership amongst those submitting returns.

Income and Expenditure of Employers Unions: All the unions submitting returns were State Unions. Income and Expenditure of these unions was Rs 0.37 Crore and Rs 0.33 Crore respectively. Among Industries, maximum Income and Expenditure of Rs 0.29 Crore and Rs 0.29 Crore respectively was reported in industry group "Manufacturing (Ind. Code D) " followed by "Real Estate, Renting and Business Activities" (Ind. Code K).

Source of Trade Union Statistics: The Rules Framed under the "Trade Unions Act,1926 impose obligation on the registered Trade Unions (Workers & Employers) to submit annual statutory return in the prescribed format to the Registrar of their respective States/ Union Territories. These State/U.T. Authorities in turn furnish the consolidated data in respect of the entire State/U.T. to the Labour Bureau. The Labour Bureau, Ministry of Labour& Employment, compiles and disseminates these statistics at All India level.

10.3 COLLECTIVE BARGAINING

Collective bargaining consists of negotiations between an employer and a group of employees so as to determine the conditions of employment. The result of collective bargaining procedures is a collective agreement. Employees are often represented in bargaining by a union or other labor organization. Collective bargaining is governed by statutory laws, administrative agency regulations, and judicial decisions.

Collective bargaining is the process of negotiation between the management and the worker representatives for resolving differences related to wages, bonus and other benefits, employee working conditions, grievance redressal procedure, collective bargaining procedure etc. The process of collective bargaining has three steps - preparation for negotiation, negotiation and contract administration.

If collective bargaining fails, the other stages in conflict settlement are conciliation, arbitration and adjudication, in that order. Worker participation in management is an effective tool for prevention of industrial disputes. The level of workers 'participation can vary from organization to organization. The basic objective of worker participation is to provide an opportunity to the workers to participate in the organizational decision-making.

By virtue of their participation, employees are bound to abide by all the decisions taken. This also helps in boosting the employee morale and enhancing their commitment to the organization. Some of the common forms of worker participation in management in India are works committees, joint management councils, joint councils, plant councils, shop councils etc.

Worker participation in India has achieved only partial success due to factors like lack of proper education among workers, lack of understanding between the management and the workers and multi-unionism. A good organizational environment built on mutual trust and confidence between the management and the workers would help in effective and successful worker participation in management.

The Future of Trade Union Movement: Does the trade union movement have a future? The answer is yes, and the initial challenge is which future the trade union movement will choose. The Copenhagen Institute for Future Studies has created three scenarios for the trade union movement of the future, scenarios that all demand both choices for and against.

The scenarios represent three suggestions as to how the trade union movement can understand, act and anchor itself in the future. Each scenario has its own basic idea, each has its own view of society and of human beings, and each has its own different set of values. Therefore the major part of their activities lie in different arenas. The tasks the trade union movement undertakes also vary. And the three trade union movements give different reasons as to why members join their particular union movement - what kind of community it is that they are a part of. The Scenario are

- The professional trade union movement
- The social trade union movement
- The personal trade union movement

In the professional version the trade union movement focuses on its core competence - i.e. job security and reasonable wage and working conditions for its members. The social trade union movement undertakes on overall responsibility for society and plays an active role in the struggle for the future. It ensures the value of the wage earner. The personal trade union movement focuses on the many new possibilities that enable the individual to create a life built on job satisfaction and self-esteem through his/her work.

Discipline Administration: Discipline is systematic instruction intended to train a person. Discipline is a course of actions leading to certain goal or ideal. Discipline in the workplace is the means by which supervisory personnel correct behavioural deficiencies and ensure adherence to established company rules. The purpose of discipline is correct behaviour. It is not designed to punish or embarrass an employee.

Often, a positive approach may solve the problem without having to discipline. However, if unacceptable behaviour is a persistent problem or if the employee is involved in a misconduct that cannot be tolerated, management may use discipline to correct the behavior. In general, discipline should be restricted to the issuing of letters of warning, letters of suspensions, or actual termination. Employers should refrain from “disciplining” employees by such methods as altering work schedules, assigning an employee to do unpleasant work, or denying vacation requests.

Grievance Handling: Grievance is a complaint filed by an employee which may be resolved by procedures provided for in a collective agreement or by mechanisms established by an employer. Such a grievance may arise from a violation of the collective bargaining agreement or violations of the law, such as workplace safety regulations. All employees have the contractual right to raise a grievance, and there is a statutory Code of Practice for handling grievances.

Grievance may be any genuine or imaginary feeling of dissatisfaction or injustice which an employee experiences about his job and it’s nature, about the management policies and procedures. It must be expressed by the employee and brought to the notice of the management and the organization. Grievances take the form of collective disputes when they are not resolved. Also they will then lower the morale and efficiency of the employees. Unattended grievances result in frustration, dissatisfaction, low productivity, lack of interest in work, absenteeism, etc. In short, grievance arises when employees’ expectations are not fulfilled from the organization as a result of which a feeling of discontentment and dissatisfaction arises. This dissatisfaction must crop up from employment issues and not from personal issues.

Grievance may result from the following factors

a. Improper working conditions such as strict production standards, unsafe workplace, bad relation with managers, etc.

b. Irrational management policies such as overtime, transfers, demotions, inappropriate salary structure, etc.

Violation of organizational rules and practices The manager should immediately identify all grievances and must take appropriate steps to eliminate the causes of such grievances so that the employees remain loyal and committed to their work. Effective grievance management is an essential part of personnel management. The managers should adopt the following approach to manage grievance effectively-

1. **Quick action**- As soon as the grievance arises, it should be identified and resolved. Training must be given to the managers to effectively and timely manage a grievance. This will lower the detrimental effects of grievance on the employees and their performance.
2. **Acknowledging grievance**- The manager must acknowledge the grievance put forward by the employee as manifestation of true and real feelings of the employees. Acknowledgement by the manager implies that the manager is eager to look into the complaint impartially and without any bias. This will create a conducive work environment with instances of grievance reduced.
3. **Gathering facts**- The managers should gather appropriate and sufficient facts explaining the grievance's nature. A record of such facts must be maintained so that these can be used in later stage of grievance redressal.
4. **Examining the causes of grievance**- The actual cause of grievance should be identified. Accordingly remedial actions should be taken to prevent repetition of the grievance.
5. **Decisioning**- After identifying the causes of grievance, alternative course of actions should be thought of to manage the grievance. The effect of each course of action on the existing and future management policies and procedure should be analyzed and accordingly decision should be taken by the manager.
6. **Execution and review**- The manager should execute the decision quickly, ignoring the fact, that it may or may not hurt the employees concerned. After implementing the decision, a follow-up must be there to ensure that the grievance has been resolved completely and adequately.

An effective grievance procedure ensures an amiable work environment because it redresses the grievance to mutual satisfaction of both the employees and the managers. It also helps the management to frame policies and procedures acceptable to the employees. It becomes an effective medium for the employees to express t feelings, discontent and dissatisfaction openly and formally.

MANAGING DISMISSAL: Dismissal simply means termination of employment by the employer. Dismissal can be a disciplinary step many sometimes and for other reasons few times. e.g. dismissal might be for redundancy or for health reasons.

Process: There must be a good reason for a dismissal and the dismissal must be carried out fairly. Otherwise, the employee may have a personal grievance claim against the employer. What is fair depends on the circumstances. Any relevant provisions in the employment agreement must be followed. If an employment agreement does not have a notice period, then reasonable notice must be given.

Employees have the right to be told what the problem is and that dismissal or other disciplinary action is a possibility. Employees must then be given a genuine opportunity to tell their side of the story before the employer decides what to do.

The employer should investigate any allegations of misconduct thoroughly and without prejudice. Unless there has been misconduct so serious that it warrants instant dismissal, the employee should be given clear standards to aim for and a genuine opportunity to improve.

If an employee is dismissed, he or she has the right to ask the employer for a written statement of the reasons for dismissal. The employer must provide the written statement within prescribed days of such a request. If the employer fails to provide this written statement, the employee may consequently be able to raise a grievance in the statutory body.

Unfair Dismissal: Unfair dismissal is used to describe the termination of employment of an employee by the employer by the breach of the employment contract primarily like dismissing without serving a notice to the employee where the employee is obliged to provide notice as stated in the employment contract, or by not giving im the proper scope to explain his position insufficient notice.

MANAGING SEPARATION: Employee Separation is the process of ensuring that an employee who quits the company is exited in a structured and orderly manner. The process of employee separation is taken quite seriously by many firms and there is a dedicated department to handle employee exits from the company.

Managing a separation/termination involving either retirement or redundancy requires as much attention as managing any other type of termination. If a retirement or redundancy is not managed correctly, the company will be at risk of being charged with unfair dismissal.

Different Ways of Employee Separation

Employee Separation is of different ways. They are

1. Voluntary Separation: This is when the employee quits the company on his or her own accord. This is the most common form of employee separation though in these recessionary times.
2. Involuntary Separation: Involuntary separation or the act of asking the employee to leave by management is quite common. This form of employee separation where an employee is asked to quit is called involuntary separation.

Some separations are voluntary and initiated by the employee, such as resignation or retirement. Others are involuntary and initiated by management, such as layoff or medical separation. The death of an employee or dismissal for cause creates unique challenges. Each type of separation requires specific, different actions though some processes are common to all. The difference in these two forms of separation is that for voluntary exits, the employee stands to get most of the benefits and perks due to him or her whereas when an employee is asked to leave, he or she might get a separation package or in instances where disciplinary or performance related exits take place, the employee might not get anything at all.

Employee Separation Process: The employee separation process starts from the time the employee gives notice to his or her employer about the intention to quit. Once the employee gives notice, all the financial transactions and records of the employee are “frozen” by the HR department and the employee’s manager is tasked with the process of ensuring proper handover and closure of work tasks allotted to the employee. Usually, the notice period ranges from a month to two to three months depending on the level at which the employee is working.

Participants in the Employee Separation Process: Typically, the employee separation process proceeds along two parallel tracks. One involves the employee and the manager and is concerned with the handover of work and other tasks. The other track is by the separations team of HR department that deals with the employee benefits accruing as a result of separation as well as other benefits like PF (Provident Fund), Gratuity (If applicable) etc. The HR manager is needed at all steps of this process and in the final exit interview that is conducted to assess the reasons for the employee leaving the company and taking the employee's views on work and the company in general as well as any "de-motivating" factors that might have caused the employee to resign. The different types of separations are given briefly below.

Voluntary Separation Methods

1. **Death of an Employee**
2. **Job Abandonment:** The concept of job abandonment is generally defined by each company. The basic idea is to set a limit for the number of days an employee can be completely out of contact with the company, beyond which the company will presume that the employee has decided not to return to work at all. Most companies define job abandonment as absence without notice for the prescribed number of days in a row. Such work separations are generally considered voluntary, although the cause may be from company.
3. **Medical Separation:** An employee may be medically separated if s/he is unable to perform the essential functions of his/her job due to medical reasons and efforts to provide a reasonable accommodation, consistent with relevant personnel policies.
4. **Resignation:** A resignation occurs when an employee decides to leave a job of their own accord.
    a. Resignation with advance notice - the employee gives the employer oral or written notice of leaving in advance.
    b. Resignation without notice at all - this can include walking off the job, job abandonment, and failure to return to work after a period of leave.
5. **Retirement:** Retirement is a separation whereby an employee opts to cease working once they have met the age and tenure stipulations laid out by the employer or negotiated by the employer and a union.

Involuntary Separation Methods

1. **Forced retirement:** This may be akin to an economic layoff or a discharge for cause, but in this situation, the employee is allowed to qualify under a retirement plan.
2. **Resignation on Mutual agreement:** his form of work separation is viewed as involuntary, since it is usually initiated or encouraged by the employer.
3. **Layoff:** Laid off refers to a separation when the employer has let an employee go because their services are no longer needed. Layoffs occur when employers experience a reduced volume of business or funding, or when a reorganization occurs which renders a job unnecessary.
4. **Discharge or termination:** A work separation that the employer views as somehow being the claimant's faulted discharges him/her from the duties and responsibilities that are pertaining to the organisation.
5. **Resignation in lieu of discharge :** This is same as discharge, but the employer gives the employee the option of resigning as a face-saving option.
6. **Dismissal:** Dismissal is the termination of employment by an employer against the will of the employee.

QUESTION FOR DISCUSION

1. **Explain the industrial reaction**
2. **Explain the trade unions**
3. **Discuss the collective bargaining**
4. **Trade union function**
5. **Explain the trade union functions**

LESSON – 11

LABOUR WELFARE

CONTENTS

11.1 Labour welfare

Labour welfare means anything done for the comfort and improvement, intellectual and social, of the employees over and above the wages paid which is not a necessity of the Industry. According to Industrial Labour Organisation (ILO)Labour welfare may be understood and including such services facilities and amenities which may be established in vicinity of undertaking to perform their work in healthy and congenial environment and to avail of facilities which improve their health and bring high morale.

Labour welfare is an important dimension of industrial relation; labour welfare includes overall welfare facilities designed to take care of well-being of employee's and in order to increase their living standard. It does not generally constitute monetary benefits nor these are provided by employers alone, it can also be provided by government, non-government agencies and trade unions. Industrialization, mechanization and globalization have increased importance of labour welfare in industries.

The importance of labour in industrialization and economic development has been recognized globally. In global scenario need and importance of labour welfare has been increasingly appreciated.

11.2 History of Labour Welfare

In India the labour welfare started sometime during the 1st world war (1914-1918). Till then wellbeing of workers in factories was hardly thought by anybody. Since, 1st world war labour welfare has been expanding on voluntary basis. Industrial Labour Organization has played a very significant role for labour welfare. Much labour legislation has been formed by Indian central government and state governments for welfare of labours in Industries.

Government has laid down minimum standards for employment and working conditions in organizations. Besides the government, the employers, trade unions and various social organizations also function as agencies for implementation of labour welfare measures.

A Industrial labour organization (ILO) is an advisory body so it cannot force any country to introduce any welfare measures. The need of labour welfare was powerfully felt by the Royal Commission of Labour far back in 1931; Indian constitution emphasized this need under its directive principles of state policy.

11.3 Objectives: Objectives of Labour welfare are mentioned below

1. Labour welfare provides social comfort to employees.
2. It provides intellectual improvement of employees.
3. To develop sense of responsibility and belongingness among employees.
4. To ensures that the working conditions for employees are of higher standard.
5. To build stable work force.
6. To reduce absenteeism and labour turnover.
7. To make employees live good and worth living.
8. To boost productivity and efficiency at the workplace.
9. To provide healthy and proper working conditions.

10. To ensure well-being of employees and families

11.4 Principles of labour welfare

1. Welfare activities will be carried out at all levels in the organisation.
2. It will be provided over and above regular wages.
3. Adequate and full co-operation shall be provided from management level.
4. Periodic assessment of labour welfare measures is essential.
5. It shall emphasize on physical, mental, moral and emotional well being of employees.
6. It can be a social concept which relates to welfare of employees, their families and community as a whole.

11.5 Nature of labour welfare constitutes following dimensions:

1. Labour Welfare enhances efficiency of workers; it improves health and upgrades economic and social status of workers.
2. Labour welfare provides facilities in addition to regular wages and other economic benefits.
3. Schemes of labour welfare shall be updated time to time according to needs of workers.
4. Employers, government, NGOs etc. introduce labour welfare measures.
5. The main purpose of labour welfare is to enhance the overall standard of living and personality of the workers.

11.6 Industrial Relations

The term Industry evolved from Latin word industrious i.e. diligent. The term industrial relations comprise of two words "Industry" and "Relations" respectively. Industry means any productive activity in which an individual is engaged and a relation means the relations which exist between individuals within industry.

Individuals work together at workplace. On an average people spend half of their day at workplace, and since man is a social animal, it is so obvious that he is in tendency to make relations within internal as well as external environment of their workplace. Hence, main aspects of industrial relations include:

1. How individuals are interrelated with each other at workplace?
2. What organisations and processes were involved in their redressed?
3. What organisations are set up for protection of their different interest?
4. How they function?
5. What problems arise in their functioning?

Internal environment or intra-industrial relations are the relations which exist within the industry and includes relations between employee and employer, employee and employee, employee and trade union, employer and trade union. While external environment or inter-industrial relations are the relations which exist outside the industry and includes relations between employers and state, employees and state, external employers and the employees, state and trade union and between different trade unions.

Objectives of Industrial Relations

Main objective of Industrial relation is

1. To improve economic conditions of workers in the present scenario of industrial management and political government.
2. Give states control over industries in order to regulate production and Industrial relation.
3. To avoid Industrial Conflicts and develop harmonious relations.
4. To raise productivity to a higher level.
5. To reduce strikes, lockouts and heroes by providing better wages and improved living conditions and fringe benefits to the workers.
6. Encouraging the sense of ownership among workers for Industries.

7. To enhance government control over units and plants that are running under losses or where production has to be regulated in public interest.

8. Improved Industrial Relation will protect the interest of labour and well as management.

Effective Industrial relations means Industrial peace necessary for better and higher production, hence, healthy Industrial Relations is the key to progress of individuals, management, Industry and Nation.

11.7 Importance of Industrial Relations are as follows:

1. **Uninterrupted production:** It is the most important benefit of industrial relations that ensures continuity of production. It provides continuous employment to all. It puts the optimum use of available resources in order to gain maximum possible production and help continuous flow of income for all.
2. **Reduction in Industrial Dispute:** Cordial Industrial relations helps in reducing industrial disputes; disputes are reflections of the failure of basic motivation in order secure satisfaction among employees. Some reflections of industrial unrest include strikes, lockouts, gheraos and grievances. It promotes industrial peace with cordial industrial relations, disputes can be settled through co-operation.

3. **High morale - Industrial relation improves the morale of employees:** Employee feels that he is co-owner of the profits of industry. High morale induces employees to work with high energy as they feel that their interest co-ordinates with organizational interest. In order to maintain good Industrial relations employer need to realize and share equally the profits of industry generously with employees. Unity of thought and action against workers and management is main achievement of industrial peace. Effective industrial relations boosts morale of workers which leads to positive effect in production

4. **Mental revolution:** Effective Industrial Relations brings mental revolution among employees which bring complete overhaul in the outlook of employees. Employees, employer and government need to work out a new relationship in consonance with spirit of true democracy where each thinks of themselves as partners in industry. Industrial peace ultimately lies in transformed outlook.

5. **Economic growth and Development:** It promotes economic growth and development, effective industrial relations lead to increase efficiency and higher productivity, which ultimately results in economic development.

6. **Discourages unfair practices:** Cordial industrial relations discourages unfair practices on part of both management and unions. Industrial relations leads to formation of machineries in order to solve problems confronted by management, employees and unions through mutual understanding and negotiations to which both parties are bound, this results in banning of unfair labour practices.

7. **Enactment of statutory provisions:** Industrial relations enables essential use of certain labour laws in order to protect and promote the welfare of employees and safeguards interests of all parties against unfair means means or practices.

8. **Following are some of the principles of good industrial relations.**

    1. Fair redressel of employee grievance
    2. Providing satisfactory working conditions
    3. Payment of fair and reasonable wages
    4. Training and education of employees
    5. Developing proper communication system between employer and employee
    6. To develop employees to adapt themselves for technological, social and economic changes.
    7. Contribution in economic development of country
    8. Recognizing importance of collective bargaining

11.8 The Future Role of HRM

HRM has been expanding in its area of activities ever since the days when management began to include welfare and personnel departments in the organizational structure. Today, the responsibilities of the HR department have grown to be broader and increasingly pragmatic.

Moreover, the advent of economic reforms in the form of globalization, liberalization and privatization in our country has changed the very profile of organizations. Today, HR managers have to think beyond traditional activities like personnel planning, welfare measures, and industrial relations. The HR managers of tomorrow need to be familiar with the operational aspects of the organizations such as strategic planning, competitive pressures, return on investment, and cost of production, to name a few, besides their own field. In brief, they must be prepared to function from the higher levels of the management in close coordination with the top management in designing and implementing the HR plans and strategies. The future role and challenges of HR managers are discussed as follows.

Change in the Nature of Work: Technological developments are changing the very nature of work. Due to technological advancements, even traditional jobs have become technologically challenging. These changes require the employment of more educated and more skilled workers in these jobs. Further, the service sector, which is fast emerging as the major provider of employment in our country, requires the use of knowledge workers. For HR managers, these developments indicate an increasing importance of human capital and knowledge workers. These new breeds of better-informed employees will expect unconventional and world-class HR practices and systems. HR managers must have plans and strategies to meet the changing expectations of these new-generation employees. They should also be prepared to handle the emerging work culture, which keeps employees more focused on their individual career prospects.

Similarly, due to rapid social transformation, an enhanced access to education and increased labour mobility, the workforce profile of the country has changed dramatically and organizations now represent several heterogeneous groups. For instance, the proportion of women, religious minorities, physically challenged and socially backward people in the workforce has increased dramatically. This is a direct challenge for the HR managers as they now have to deal with culturally and racially diverse work groups. Many firms are now compelled to initiate new gender-specific and target-based HR policies to serve the interests of different sections of the employees.

Widening Scope of HR Activities: Human resources activities are getting integrated at the global level. Globalization and deregulations have deeply affected the functioning of traditional HRM. Organizations, in their pursuit of new markets and greater cost-effectiveness, extend their sales, production facilities, and supporting services to new destinations in several countries around the world. HR managers must have adequate dynamism and action plans to help these organizations successfully integrate their global HR operations. They must also ensure effective coordination amongst and control over the labour forces working in different countries.

Greater Emphasis on HRIS: The organizations of the future will be large due to world-wide mergers and acquisitions. The sheer size of an organization may compel the HR department to computerize its HR operations like recruitment, training, appraising and pay-roll preparations. Thus, large companies may require an integrated Human Resource Information System (HRIS) for effectively coordinating their different HR operations. HRIS actually means "interrelated components working together to collect, process, store and disseminate information to support decision making, coordination, control, analysis and visualization of an organization's HRM activities." Future managers should be familiar with HRIS operations. HRIS can help an organization in several ways. For instance, HRIS can relieve HR managers from routine activities as the system takes over the task of updating the employee information. It can also help the HR department produce a variety of reports in a short span.

Diversity Celebrations: Differences in race, gender, geographic origin, culture, lifestyle, age, disability, economic status, marital status, and religion make employees an assorted workforce. This situation requires HR managers to create a business environment that recognizes and leverages the individual differences amongst employees and puts in place target-specific HR practices to attract, retain and motivate the dynamic and heterogeneous workforce.

Stemming Skill Shortfall: One of the toughest challenges facing the organized sector today is the availability of skilled labour force. HR people are worried about the overall skill scenario confronting the organized sector. For instance, over the next 10 years, 30 per cent of the present work force will retire. In the service sector alone, a quarter of the million people who work for the financial services sector will retire over the next 5 years. This problem is more acute amongst the information technology companies as most of the companies in this sector are on a hiring spree to support their ambitious growth plans. Consequently, organizations are fine tuning their HR programmes to meet the challenges arising out of skill shortfalls.

Change in Labour Market Conditions: The increased industrialization of the country has thrown up many challenges for HR managers. Uneven economic development has resulted in the large-scale unemployment of unskilled and under-skilled persons on one side and a severe shortage of competent people on the other. This dichotomy in labour may compel HR managers to reduce their focus on the short-term needs of the organization and to concentrate more on fulfilling the long-term capability requirements such as skill development and knowledge formation amongst its existing workforce.

Increasing Importance of High Performance Work Systems (HPWS): Globalization is bringing about a tremendous change in the size, structure, composition, and style of functioning of organizations so as to meet an intensified global competition. In fact, more globalization means more competition for a firm. This in turn puts increased pressure on an organization to improve its employees' productivity. This calls for the adoption of effective HR practices by HR managers. In this regard, the HR management needs to focus on evolving an integrated set of effective HR policies and practices that produces superior employee performance. Thus, HR managers, with the help of dynamic HR policies, should develop HPWS that maximizes the competencies, commitment and abilities of the firm's employees.

Elements of HPWS: In increasing the number of instances, companies are able to attain great successes by establishing HPWS within their organizations. HPWS usually include elements like an emphasis on high-quality work, job security, careful selection process, comprehensive training, decentralized decision making, reduced status difference between superiors and subordinates, information sharing, pay-for-performance, dynamic leadership, inspirational motivation, and measurement of management practices.

Growing Need for Measurement Tools to Evaluate HR Programmes: The inherent weakness of HRM is the absence of reliable and effective yardsticks for measuring the performance of HR programmes. The top management expects HR managers to express their plans and performance in measurable terms. Thus, there is an urgent need for HR managers to provide concrete and quantified evidence that their department is contributing in a significant and constructive way to the accomplishment of organizational goals and objectives. HR managers' focus in the future will be on the development and introduction of reliable and accurate HR tools to measure the efficiency of HR functions.

A prudent understanding and efficient management of these challenges are pre-requisites if HRM is to add considerable value, show business results, enact professionalism, and reveal fresh competencies in the future.

QUESTION FOR DISCUSSION

1. **What you mean by labour welfare?**
2. **Explain the history of labour welfare?**
3. **Discuss the principles of labour welfare?**
4. **Discuss the industrial relations?**
5. **Explain the trade unions?**
6. **What is future role of HRM**