

UNIT-5

HUMAN RESOURCE MANAGEMENT/RESOURCE MANAGEMENT

SYLLABUS:

RESOURCE MANAGEMENT: Concept of human resource management, personnel management and industrial relations, functions of personnel management, Job-evaluation, its importance and types, merit rating, quantitative methods, wage incentive plans, types.

INTRODUCTION

Human beings are social beings and hardly ever live and work in isolation. We always plan, develop and manage our relations both consciously and unconsciously. The relations are the outcome of our actions and depend to a great extent upon our ability to manage our actions. From childhood each and every individual acquire knowledge and experience on understanding others and how to behave in each and every situations in life. Later we carry forward this learning and understanding in carrying and managing relations at our workplace. The whole context of Human Resource Management revolves around this core matter of managing relations at work place.

Since mid-1980's Human Resource Management (HRM) has gained acceptance in both academic and commercial circle. HRM is a multidisciplinary organizational function that draws theories and ideas from various fields such as management, psychology, sociology and economics.

There is no best way to manage people and no manager has formulated how people can be managed effectively, because people are complex beings with complex needs. Effective HRM depends very much on the causes and conditions that an organizational setting would provide. Any Organization has three basic components, People, Purpose, and Structure.

In 1994, a noted leader in the human resources (HR) field made the following observation: Yesterday, the company with the access most to the capital or the latest technology had the best competitive advantage;

Today, companies that offer products with the highest quality are the ones with a leg up on the competition; but the only thing that will uphold a company's advantage tomorrow is the calibre of people in the organization. That predicted future is today's reality. Most managers in public- and private sector firms of all sizes would agree that people truly are the organization's most important asset. Having competent staff on the payroll does not guarantee that a firm's human resources will be a source of competitive advantage. However in order to remain competitive, to grow, and diversify an organization must ensure that its employees are qualified, placed in appropriate positions, properly trained, managed effectively, and committed to the firm's success. The goal of HRM is to maximize employees' contributions in order to achieve optimal productivity and effectiveness, while simultaneously attaining individual objectives (such as

having a challenging job and obtaining recognition), and societal objectives (such as legal compliance and demonstrating social responsibility).

WHAT IS HUMAN RESOURCE MANAGEMENT?

HRM is the study of activities regarding people working in an organization. It is a managerial function that tries to match an organization's needs to the skills and abilities of its employees.

Definitions of HRM

Human resources management (HRM) is a management function concerned with hiring, motivating and maintaining people in an organization. It focuses on people in organizations. Human resource management is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals.

HRM is the personnel function which is concerned with procurement, development, compensation, integration and maintenance of the personnel of an organization for the purpose of contributing towards the accomplishments of the organization's objectives. Therefore, personnel management is the planning, organizing, directing, and controlling of the performance of those operative functions (Edward B. Philippo)

According to the Invancevich and Glueck, "HRM is concerned with the most effective use of people to achieve organizational and individual goals. It is the way of managing people at work, so that they give their best to the organization".

According to Dessler (2008) the policies and practices involved in carrying out the "people" or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising comprises of HRM.

Generally HRM refers to the management of people in organizations. It comprises of the activities, policies, and practices involved in obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate number and skill mix of employees to accomplish the organization's objectives. The goal of HRM is to maximize employees' contributions in order to achieve optimal productivity and effectiveness, while simultaneously attaining individual objectives (such as having a challenging job and obtaining recognition), and societal objectives (such as legal compliance and demonstrating social responsibility).

In short Human Resource Management (HRM) can be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner

NATURE OF HRM

HRM is a management function that helps manager's to recruit, select, train and develop members for an organization. HRM is concerned with people's dimension in organizations.

The following constitute the core of HRM

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1. HRM Involves the Application of Management Functions and Principles. The functions and principles are applied to acquiring, developing, maintaining and providing remuneration to employees in organization.
2. Decision Relating to Employees must be integrated. Decisions on different aspects of employees must be consistent with other human resource (HR) decisions.
3. Decisions Made Influence the Effectiveness of an Organization. Effectiveness of an organization will result in betterment of services to customers in the form of high quality products supplied at reasonable costs.
4. HRM Functions are not confined to Business Establishments Only but applicable to non-business organizations such as education, health care, recreation and like.

HRM refers to a set of programmes, functions and activities designed and carried out in order to maximize both employee as well as organizational effectiveness.

SCOPE OF HRM:

The scope of HRM is indeed vast. All major activities in the working life of a worker – from the time of his or her entry into an organization until he or she leaves the organizations comes under the purview of HRM. The major HRM activities include HR planning, job analysis, job design, employee hiring, employee and executive remuneration, employee motivation, employee maintenance, industrial relations and prospects of HRM.

The scope of Human Resources Management extends to:

- All the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people as employees in any type of organization.
- All the dimensions related to people in their employment relationships, and all the dynamics that flow from it.

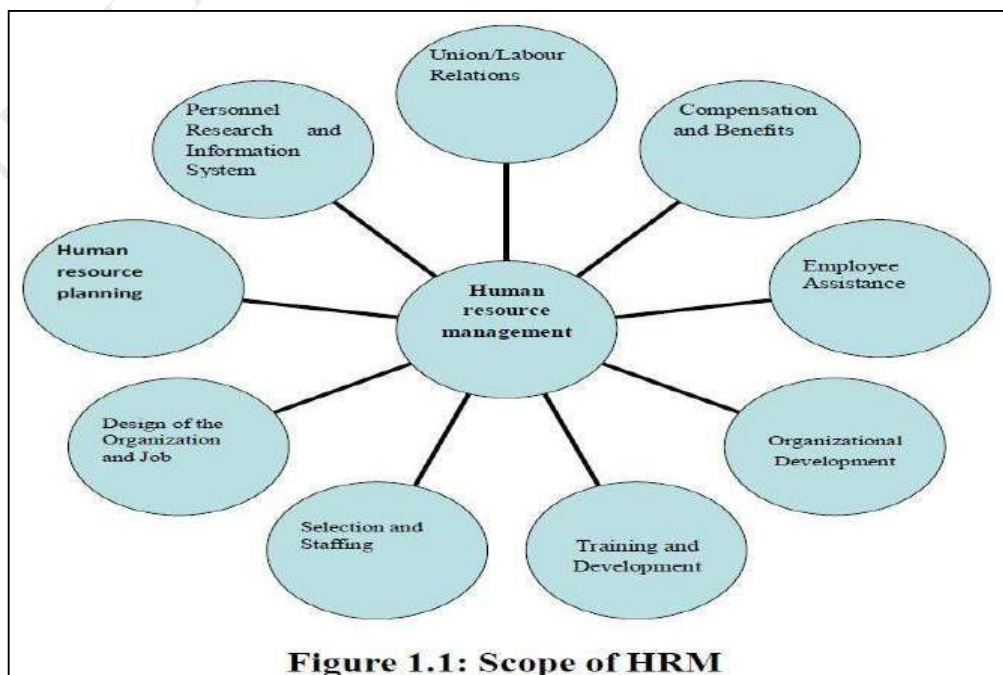


Figure 1.1: Scope of HRM

INDUSTRIAL ENGINEERING AND MANAGEMENT

The scope of HRM is really vast. All major activities in the working life of a worker – from the time of his or her entry into an organization until he or she leaves it comes under the purview of HRM. American Society for Training and Development (ASTD) conducted fairly an exhaustive study in this field and identified nine broad areas of activities of HRM.

These are given below:

1. Human Resource Planning
2. Design of the Organization and Job
3. Selection and Staffing
4. Training and Development
5. Organizational Development
6. Compensation and Benefits
7. Employee Assistance
8. Union/Labour Relations
9. Personnel Research and Information System

- a) **Human Resource Planning:** The objective of HR Planning is to ensure that the organization has the right types of persons at the right time at the right place. It prepares human resources inventory with a view to assess present and future needs, availability and possible shortages in human resource. Thereupon, HR Planning forecast demand and supplies and identify sources of selection. HR Planning develops strategies both long-term and short-term, to meet the man-power requirement.
- b) **Design of Organization and Job:** This is the task of laying down organization structure, authority, relationship and responsibilities. This will also mean definition of work contents for each position in the organization. This is done by “job description”. Another important step is “Job specification”. Job specification identifies the attributes of persons who will be most suitable for each job which is defined by job description.
- c) **Selection and Staffing:** This is the process of recruitment and selection of staff. This involves matching people and their expectations with which the job specifications and career path available within the organization.
- d) **Training and Development:** This involves an organized attempt to find out training needs of the individuals to meet the knowledge and skill which is needed not only to perform current job but also to fulfil the future needs of the organization.
- e) **Organizational Development:** This is an important aspect whereby “Synergetic effect” is generated in an organization i.e. healthy interpersonal and inter-group relationship within the organization.
- f) **Compensation and Benefits:** This is the area of wages and salaries administration where wages and compensations are fixed scientifically to meet fairness and equity criteria. In addition labour welfare measures are involved which include benefits and services.
- g) **Employee Assistance:** Each employee is unique in character, personality, expectation and temperament. By and large each one of them faces problems every day. Some are personal some are official. In their case he or she remains worried. Such worries must be removed to make him or her more productive and happy.
- h) **Union-Labour Relations:** Healthy Industrial and Labour relations are very important for enhancing peace and productivity in an organization. This is one of the areas of HRM.

i) **Personnel Research and Information System:** Knowledge on behavioural science and industrial psychology throws better insight into the workers expectations, aspirations and behaviour. Advancement of technology of product and production methods have created working environment which are much different from the past. Globalization of economy has increased competition many fold. Science of ergonomics gives better ideas of doing a work more conveniently by an employee. Thus, continuous research in HR areas is an unavoidable requirement. It must also take special care for improving exchange of information through effective communication systems on a continuous basis especially on moral and motivation.

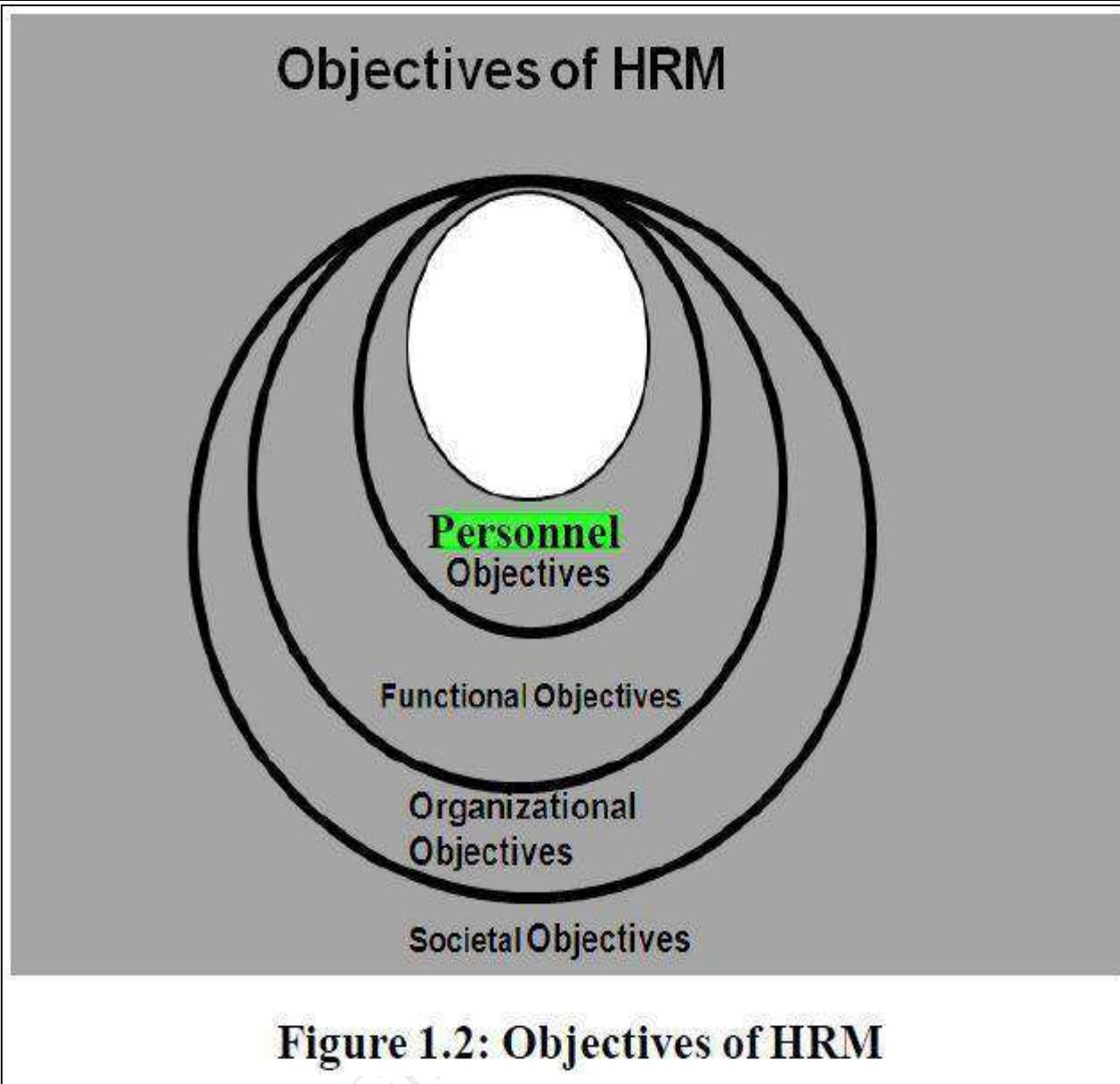
HRM is a broad concept; personnel management (PM) and Human resource development (HRD) are a part of HRM.

OBJECTIVES OF HRM:

The primary objective of HRM is to ensure the availability of competent and willing workforce to an organization. The specific objectives include the following:

- 1) Human capital: assisting the organization in obtaining the right number and types of employees to fulfill its strategic and operational goals
- 2) Developing organizational climate: helping to create a climate in which employees are encouraged to develop and utilize their skills to the fullest and to employ the skills and abilities of the workforce efficiently
- 3) Helping to maintain performance standards and increase productivity through effective job design; providing adequate orientation, training and development; providing performance-related feedback; and ensuring effective two-way communication.
- 4) Helping to establish and maintain a harmonious employer/employee relationship
- 5) Helping to create and maintain a safe and healthy work environment.
- 6) Developing programs to meet the economic, psychological, and social needs of the employees and helping the organization to retain the productive employees
- 7) Ensuring that the organization is in compliance with provincial/territorial and federal laws affecting the workplace (such as human rights, employment equity, occupational health and safety, employment standards, and labour relations legislation). To help the organization to reach its goals
- 8) To provide organization with well-trained and well-motivated employees.
- 9) To increase the employees satisfaction and self-actualization.
- 10) To develop and maintain the quality of work life.
- 11) To communicate HR policies to all employees.
- 12) To help maintain ethical polices and behavior.

The above stated HRM objectives can be summarized under four specific objectives: societal, organizational, and functional and personnel.



- 1) **Societal Objectives:** seek to ensure that the organization becomes socially responsible to the needs and challenges of the society while minimizing the negative impact of such demands upon the organization. The failure of the organizations to use their resources for the society's benefit in ethical ways may lead to restriction.
- 2) **Organizational Objectives:** it recognizes the role of HRM in bringing about organizational effectiveness. It makes sure that HRM is not a standalone department, but rather a means to assist the organization with its primary objectives. The HR department exists to serve the rest of the organization.
- 3) **Functional Objectives:** is to maintain the department's contribution at a level appropriate to the organization's needs. Human resources are to be adjusted to suit the organization's demands. The department's value should not become too expensive at the cost of the organization it serves.
- 4) **Personnel Objectives:** it is to assist employees in achieving their personal goals, at least as far as these goals enhance the individual's contribution to the organization. Personal objectives of employees must be met if they are to be maintained, retained and motivated. Otherwise employee performance and satisfaction may decline giving rise to employee turnover.

Table 1.1 HRM Objectives and Functions

S.No.	HRM Objectives	Supporting Functions
1.	Societal Objectives	Legal compliance Benefits Union- management relations
2.	Organizational Objectives	Human Resource Planning Employee relations Selection Training and development Appraisal Placement Assessment
3.	Functional Objectives	Appraisal Placement Assessment
4.	Personal Objectives	Training and development Appraisal Placement Compensation Assessment

FUNCTIONS OF HRM:

Human Resources management has an important role to play in equipping organizations to meet the challenges of an expanding and increasingly competitive sector. Increase in staff numbers, contractual diversification and changes in demographic profile which compel the HR managers to reconfigure the role and significance of human resources management. The functions are responsive to current staffing needs, but can be proactive in reshaping organizational objectives. All the functions of HRM are correlated with the core objectives of HRM (Table 1.1). For example personal objectives is sought to be realized through functions like remuneration, assessment etc.

HR management can be thought of as seven interlinked functions taking place within organizations, as depicted in Figure 1.3 Additionally, external forces—legal, economic, technological, global, environmental, cultural/geographic, political, and social—significantly affect how HR functions are designed, managed, and changed. The functions can be grouped as follows:

Strategic HR Management: As a part of maintaining organizational competitiveness, strategic planning for HR effectiveness can be increased through the use of HR metrics and HR technology. Human resource planning (HRP) function determine the number and type of employees needed to accomplish organizational

goals. HRP includes creating venture teams with a balanced skill-mix, recruiting the right people, and voluntary team assignment. This function analyses and determines personnel needs in order to create effective innovation teams. The basic HRP strategy is staffing and employee development.

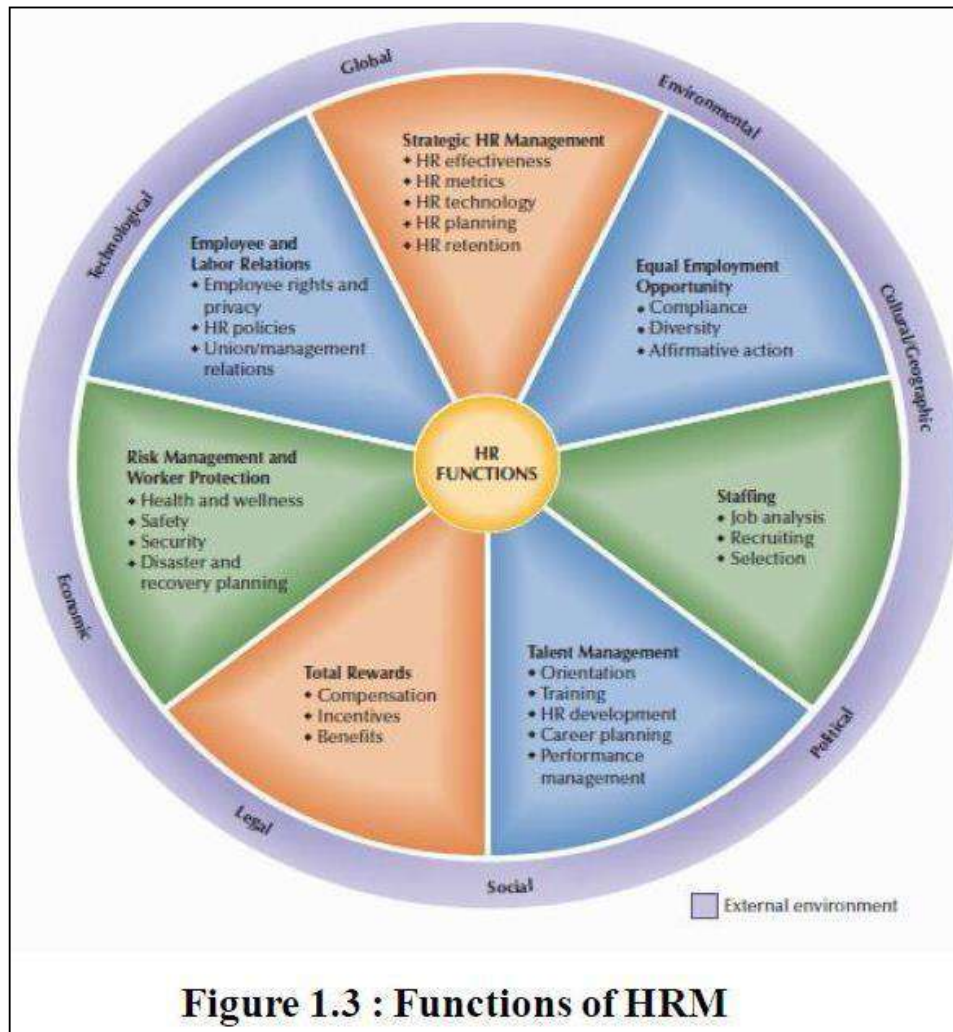


Figure 1.3 : Functions of HRM

Equal Employment Opportunity: Compliance with equal employment opportunity (EEO) laws and regulations affects all other HR activities.

Staffing: The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. Job analysis, recruitment and selection are the main functions under staffing.

Workers job design and job analysis laid the foundation for staffing by identifying what diverse people do in their jobs and how they are affected by them.

Job analysis is the process of describing the nature of a job and specifying the human requirements such as knowledge, skills, and experience needed to perform the job. The end result of job analysis is job description. Job description spells out work duties and activities of employees.

Through HR planning, managers anticipate the future supply of and demand for employees and the nature of workforce issues, including the retention of employees. So HRP precedes the actual selection of people for organization. These factors are used when recruiting applicants for job openings. The selection process is concerned with choosing qualified individuals to fill those jobs.

In the selection function, the most qualified applicants are selected for hiring from among the applicants based on the extent to which their abilities and skills are matching with the job.

Talent Management and Development: Beginning with the orientation of new employees, talent management and development includes different types of training. Orientation is the first step towards helping a new employee to adjust himself to the new job and the employer. It is a method to acquaint new employees with particular aspects of their new job, including pay and benefit programmes, working hours and company rules and expectations.

Training and Development programs provide useful means of assuring that the employees are capable of performing their jobs at acceptable levels and also more than that. All the organizations provide training for new and in experienced employee. In addition, organization often provide both on the job and off the job training programmes for those employees whose jobs are undergoing change.

Likewise, HR development and succession planning of employees and managers is necessary to prepare for future challenges. Career planning has developed as result of the desire of many employees to grow in their jobs and to advance in their career. Career planning activities include assessing an individual employee's potential for growth and advancement in the organization.

Performance appraisal includes encouraging risk taking, demanding innovation, generating or adopting new tasks, peer evaluation, frequent evaluations, and auditing innovation processes.

This function monitors employee performance to ensure that it is at acceptable levels. This strategy appraises individual and team performance so that there is a link between individual innovativeness and company profitability. Which tasks should be appraised and who should assess employees' performance are also taken into account.

Total Rewards: Compensation in the form of pay, incentives and benefits are the rewards given to the employees for performing organizational work. Compensation management is the method for determining how much employees should be paid for performing certain jobs. Compensation affects staffing in that people are generally attracted to organizations offering a higher level of pay in exchange for the work performed. To be competitive, employers develop and refine their basic compensation systems and may use variable pay programs such as incentive rewards, promotion from within the team, recognition rewards, balancing team and individual rewards etc. This function uses rewards to motivate personnel to achieve an organization's goals of productivity, innovation and profitability. Compensation is also related to employee development in that it provides an important incentive in motivating employees to higher levels of job performance to higher paying jobs in the organization.

Benefits are another form of compensation to employees other than direct pay for the work performed. Benefits include both legally required items and those offered at employer's discretion. Benefits are primarily related to the area of employee maintenance as they provide for many basic employee needs.

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Risk Management and Worker Protection: HRM addresses various workplace risks to ensure protection of workers by meeting legal requirements and being more responsive to concerns for workplace health and safety along with disaster and recovery planning.

Employee and Labor Relations: The relationship between managers and their employees must be handled legally and effectively. Employer and employee rights must be addressed. It is important to develop, communicate, and update HR policies and procedures so that managers and employees alike know what is expected. In some organizations, union/management relations must be addressed as well. The term labour relation refers to the interaction with employees who are represented by a trade union. Unions are organization of employees who join together to obtain more voice in decisions affecting wages, benefits, working conditions and other aspects of employment. With regard to labour relations the major function of HR personnel includes negotiating with the unions regarding wages, service conditions and resolving disputes and grievances.

FUNCTIONS OF HR MANAGER:

Procurement	Development	Motivation & Compensation	Maintenance	Integration
Job analysis	Training	Job design	Health & Safety	Grievance Redressal
Human Resource Planning	Executive Development	Work Scheduling	Employee Welfare	Discipline
Recruitment	Career Planning & Development	Motivation	Social Security	Teams & Team Work
Selection	Human Resource Development	Job Evaluation		Collective Bargaining
Placement		Performance Appraisal		Employee Participation & Empowerment
Induction & Orientation		Compensation Administration		Trade Unions & Employees Associations
Internal Mobility		Incentives & Benefits		Industrial Relations.

It has two types

MANAGERIAL FUNCTIONS

- | | |
|---------------|----------------|
| 1) Planning | 4) Directing |
| 2) Organizing | 5) Controlling |
| 3) Staffing | |

OPERATIVE FUNCTIONS

The operative functions of HRM are related to specific activities of personnel management, viz., employment, development, compensation, organizational and industrial relations. These functions are to be performed in conjunction with managerial functions

- **Procurement function:** The first operative function of personnel management is procurement. It is concerned with procuring and employing people who possess necessary skills, knowledge and aptitude. Under its purview you have job analysis, man power planning, recruitment, selection, placement, induction, and internal mobility.
- **Job analysis:** It is the process of collecting information relating to the operation and responsibilities pertaining to a specific job.
- **Human Resource Planning:** It is a process of determining and assuring that the organization will have an adequate number of qualified persons, available at proper times, performing jobs which would meet their needs and provide satisfaction for the individuals involved.
- **Recruitment:** It is the process of searching for prospective employees and stimulating them to apply for jobs in the organization. **Selection:** It is the process of ascertaining qualification, experience, skill and knowledge of an applicant with a view to applicant with a view to appraising his/her suitability to the job in question.
- **Selection:** It is the process of ascertaining qualifications, experience, skill and knowledge of an applicant with a view to appraising his/her suitability to the job in question.
- **Placement:** It is the process that ensures 360 degrees fit, matching the employees qualification, experience, skills and interest with the job on offer. It is the personnel managers' responsibility to position the right candidate at the right level.
- **Induction and Orientation:** Induction and orientation are the techniques by which a new employee is rehabilitated in his surroundings and introduces to the practices, policies, and people.
- **Internal Mobility:** The movement of employees form one job to another through transfers and promotions is called internal mobility. Some employees leave an organization due to various reasons leading to resignation, retirement and even termination. These movement are known as external mobility.
- **Development:** It is the process of improving, moulding, changing and developing the skills, Knowledge, creative ability, attitude, values and commitment based on present and future requirement both at the individuals and organization's level. This function includes.
- **Training:** Training is a continuous process by which employees learn skills, knowledge, abilities and attitudes to further organizational and personnel goals.

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- **Executive development:** It is a systematic process of developing managerial skills and capabilities through appropriate programmes.
- **Career Planning and Development:** It is the planning of one's career and implementation of career plans by means of education, training, job search and acquisition of work experiences. It includes succession planning which implies identifying developing and tracking key individuals for executive positions.
- **Human Resource Development:** HRD aims at developing the total organization. It creates a climate that enables every employee to develop and use his capabilities in order to further both individual and organization goals.
- **Motivation and Compensation:** It is a process which inspires to give their best to the organization through the use of intrinsic (achievement, recognition, responsibility) and extrinsic (job design, work scheduling, appraisal based incentives) rewards.
- **Job design:** Organizing tasks and responsibilities towards having a productive unit of work is called job design. The main purpose of job design is to integrate the needs of employees to suit the requirements of an organization.
- **Work scheduling:** Organizations must realize the importance of scheduling work to motivate employees through job enrichment, shorter work, week's flexi-time, and work sharing work assignments. Work scheduling is an attempt to structure work, incorporating the physical, physiological and behavioural aspects of work.
- **Motivation:** Combine forces that allow people to behave in certain ways is an integral aspect of motivation. Managers generally try to motivate people through properly administered rewards (monetary and non-monetary).
- **Job evaluation:** Organizations formally determine the value of jobs through the process of job evaluation. Job evaluation is a systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organization.
- **Performance appraisal:** After an employee has been selected for a job has been trained to do it and has worked on it for a period of time, his performance should be evaluated. It is a process of deciding how many employees do their jobs. It is a method of evaluating the behaviour of employees at the workplace and normally includes both the quantitative and qualitative aspects of job performance.
- **Compensation administration:** Compensation administration is the process of deciding how many employees should be paid. The important goals are design a low-cost pay plan that will attract, motivate and retain competent employees-which is also perceived to be fair by these employees.

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- **Incentives and benefits:** In addition to basic wage structure, most organizations now a days offer incentive compensation based on actual performance. Unlike incentives, benefits and services are offered to all employees as required by law including social security, insurance, workmen's compensation, welfare amenities
- **Maintenance:** It aims at protecting and preserving the physical and psychological health of employees through various welfare measures.
- **Health and safety:** Managers at all levels are expected to know and enforce safety and health Standards throughout the organization. They must ensure a work environment that protects employees from physical hazards, unhealthy conditions and unsafe acts of other personnel.
- **Employee welfare:** It includes the services, amenities and facilities offered to employees within or outside the establishment for their physical, psychological and social well-being. Housing, transportation, education and recreation facilities are all includes in the employee welfare package.
- **Social security:** Management provide social security to their employees in addition to fringe benefits. It includes workman's compensation to those workers who are involved in accidents, maternity benefits to woman employees, sickness benefits and medical benefits, disablement benefits/allowances, dependent benefits and medical benefits, disablement benefits, retirement benefits like provident fund, pension gratuity.
- **Integration function:** This tries to integrate the goals of an organization with employee aspirations through various employee-oriented programs like readdressing, like redressing grievances promptly, instituting proper disciplinary measures, and empowering people to decide things independently encouraging a participative culture, offering constructive help to trade unions etc.
- **Grievance redressal:** A grievance is any factor involving wages, hours or conditions of employment that is used as a complaint against the employer. Constructive grievance handling depends first on the manager's ability to recognize, diagnose and correct the causes of potential employee dissatisfaction before it covers into a formal grievance.
- **Discipline:** It is the force that prompts an individual or a group to observe the rules, regulations and procedures, which are deemed necessary for the attainment of an objective.
- **Teams and teamwork:** self-managed teams have emerged as the most important formal groups in today's organizations. They enhance employee involvement and have the potential to create positive synergy by increasing worker interaction; they create camaraderie among team members. Teams have inherent strengths which ultimately lead to organizational success at various levels.
- **Collective bargaining:** It is a process of agreeing on a satisfactory labor contract between management and union. The contract contains agreements about the conditions of employment such as wages, hours, promotion and discipline; lay-off, benefits vacations rest pause and the grievance procedure.

- **Employee participation and empowerment:** Participation means sharing the decision-making power with the lower ranks of an organization in an appropriate manner. When workers participate in organizations decisions they are able to see big picture clearly and also how their actions would impact the overall growth of the company. They can offer the feedback immediately based on their experiences and improve the quality of decisions.
- **Trade unions and employees association:** Trade union is an association either of employees or employers or independent workers. It is a relatively permanent a body formed by workers with the objective of countering exploitation and harassment. It strives towards providing economic and social benefits to the labor community.
- **Industrial Relations:** Harmonious industrial relations between labor and management are essential to achieve industrial growth and higher productivity.

ROLE OF HRM:

The role of HRM is to plan, develop and administer policies and programs designed to make optimum use of an organizations human resources. It is that part of management which is concerned with the people at work and with their relationship within enterprises. Its objectives are:

- (a) Effective utilization of human resources,
- (b) Desirable working relationships among all members of the organizations, and
- (c) Maximum individual development. Human resources function as primarily administrative and professional. HR staff focused on administering benefits and other payroll and operational functions and didn't think of themselves as playing a part in the firm's overall strategy.

HR professionals have an all-encompassing role. They are required to have a thorough knowledge of the organization and its intricacies and complexities. The ultimate goal of every HR person should be to develop a linkage between the employee and organization because employee's commitment to the organization is crucial. The first and foremost role of HR personnel is to impart continuous education to the employees about the changes and challenges facing the country in general and their organization in particular. The employees should know about the balance sheet of the company, sales progress, and diversification of plans, share price movements, turnover and other details about the company. The HR professionals should impart such knowledge to all employees through small booklets, video films and lectures.

The primary responsibilities of Human Resource managers are:

- 1) To develop a thorough knowledge of corporate culture, plans and policies.
- 2) To act as an internal change agent and consultant
- 3) To initiate change and act as an expert and facilitator
- 4) To actively involved in company's strategy formulation

- 5) To keep communication line open between the HRD function and individuals and groups both within and outside the organization\
- 6) To identify and evolve HRD strategies in consonance with overall business strategy.
- 7) To facilitate the development of various organizational teams and their working relationship with other teams and individuals.
- 8) To try and relate people and work so that the organization objectives are achieved efficiently and effectively.
- 9) To diagnose problems and determine appropriate solution particularly in the human resource areas.
- 10) To provide co-ordination and support services for the delivery of HRD programmes and services
- 11) To evaluate the impact of an HRD intervention or to conduct research so as to identify, develop or test how HRD In general has improved individual and organizational performance.

Different management gurus have deliberated different roles for the HR manager based on the major responsibilities that they full fill in the organization. Few of the commonly accepted models are enumerated below.

Pat Mc Lagan has suggested nine roles that are played by HR practitioners

To bring the issues and trends concerning an organization's external and internal people to the attention of strategic decision makers and to recommend long term strategies to support organizational excellence and endurance.

- 1) To design and prepare HR systems and actions for implementation so that they can produce maximum impact on organizational performance and development.
- 2) To facilitate the development and implementation of strategies for transforming one's own organization by pursuing values and visions.
- 3) To create a positive relationship with the customer's by providing them with the best services; to utilize the resources to the maximum and to create commitment among the people who help the organization to meet the customer's needs whether directly connected or indirectly connected to the organization.
- 4) To identify the learning needs hence to design and develop structured learning programs and materials to help accelerate learning for individuals and groups.
- 5) To enable the individuals and groups to work in new situations and to expend \and change their views so that people in power move from authoritarian to participative models of leadership.
- 6) To help employees to assess their competencies, values and goals so that they can identify, plan and implement development plans.
- 7) He also assists the individual employee to add values in the workplace and to focus on the interventions and interpersonal skills for helping people change and sustain change.
- 8) He assesses the HRD practices and programs and their impact and to communicate results so that the organization and its people accelerate their change and development.

According to Dave Ulrich HR play's four key roles.

1. **Strategic Partner Role**-turning strategy into results by building organizations that create value;
2. **Change Agent Role**- making change happen, and in particular, help it happen fast
3. **Employees Champion Role**—managing the talent or the intellectual capital within a firm
4. **Administrative Role**—trying to get things to happen better, faster and cheaper.

The role HR in organizations has undergone an extensive change and many organizations have gradually oriented themselves from the traditional personnel management to a human resources management approach.

The basic approach of HRM is to perceive the organization as a whole. Its emphasis is not only on production and productivity but also on the quality of life. It seeks to achieve the paramount development of human resources and the utmost possible socio-economic development.

CURRENT CLASSIFICATION OF HR ROLES:

According to R.L Mathis and J. H. Jackson (2010) several roles can be fulfilled by HR management. The nature and extent of these roles depend on both what upper management wants HR management to do and what competencies the HR staff have demonstrated. Three roles are typically identified for HR. The focus of each of them, as shown in Figure 1. is elaborated below:

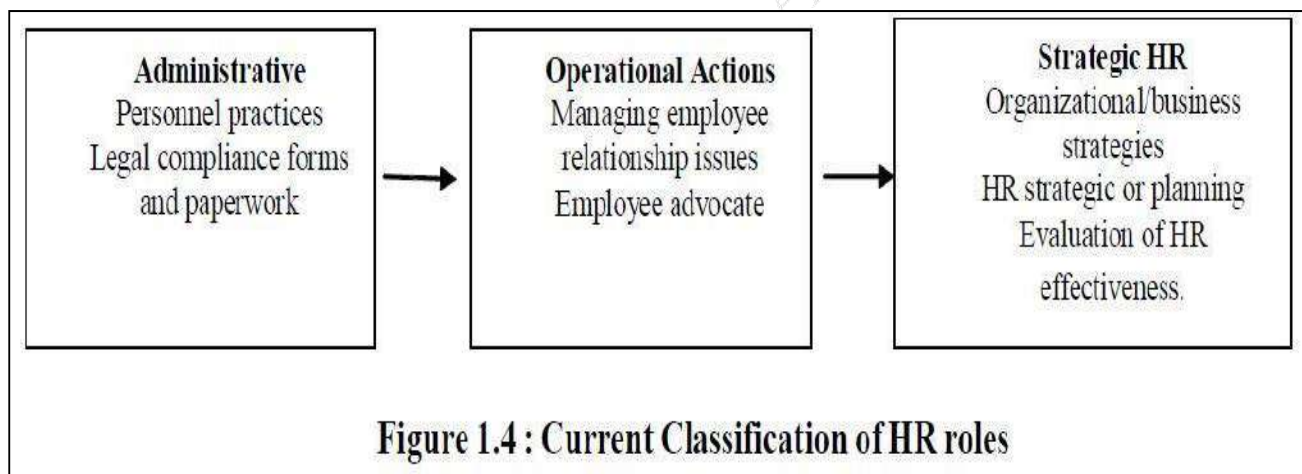


Figure 1.4 : Current Classification of HR roles

1. **Administrative Role of HR:** The administrative role of HR management has been heavily oriented to administration and recordkeeping including essential legal paperwork and policy implementation. Major changes have happened in the administrative role of HR during the recent years. Two major shifts driving the transformation of the administrative role are: Greater use of technology and Outsourcing.

Technology has been widely used to improve the administrative efficiency of HR and the responsiveness of HR to employees and managers, more HR functions are becoming available electronically or are being done on the Internet using Web-based technology. Technology is being used in most HR activities, from employment applications and employee benefits enrolment's to e-learning using Internet-based resources. Increasingly, many HR administrative functions are being outsourced to vendors. This outsourcing of HR administrative activities has grown dramatically in HR areas such as employee assistance (counselling), retirement planning, benefits administration, payroll services, and outplacement services.

- 2. Operational and Employee Advocate Role for HR:** HR managers manage most HR activities in line with the strategies and operations that have been identified by management and serves as employee “champion” for employee issues and concerns.

HR often has been viewed as the “employee advocate” in organizations. They act as the voice for employee concerns, and spend considerable time on HR “crisis management,” dealing with employee problems that are both work-related and not work-related. Employee advocacy helps to ensure fair and equitable treatment for employees regardless of personal background or circumstances.

Sometimes the HR’s advocate role may create conflict with operating managers. However, without the HR advocate role, employers could face even more lawsuits and regulatory complaints than they do now. The operational role requires HR professionals to cooperate with various departmental and operating managers and supervisors in order to identify and implement needed programs and policies in the organization. Operational activities are tactical in nature. Compliance with equal employment opportunity and other laws is ensured, employment applications are processed, current openings are filled through interviews, supervisors are trained, safety problems are resolved, and wage and benefit questions are answered. For carrying out these activities HR manager matches HR activities with the strategies of the organization.

- 3. Strategic Role for HR:** The administrative role traditionally has been the dominant role for HR. However, as Figure 1.4 indicates that a broader transformation in HR is needed so that significantly less HR time and fewer HR staffs are used just for clerical work.

Differences between the operational and strategic roles exist in a number of HR areas. The strategic HR role means that HR professionals are proactive in addressing business realities and focusing on future business needs, such as strategic planning, compensation strategies, the performance of HR, and measuring its results. However, in some organizations, HR often does not play a key role in formulating the strategies for the organization as a whole; instead it merely carries them out through HR activities.

Many executives, managers, and HR professionals are increasingly seeing the need for HR management to become a greater strategic contributor to the “business” success of organizations. HR should be responsible for knowing what the true cost of human capital is for an employer. For example, it may cost two times key employees’ annual salaries to replace them if they leave. Turnover can be controlled through HR activities, and if it is successful in saving the company money with good retention and talent management strategies, those may be important contributions to the bottom line of organizational performance.

The role of HR as a *strategic business partner* is often described as “having a seat at the table,” and contributing to the strategic directions and success of the organization. That means HR is involved in *devising* strategy in addition to *implementing* strategy. Part of HR’s contribution is to have financial expertise and to produce financial results, not just to boost employee morale or administrative efficiencies.

Therefore, a significant concern for chief financial officers (CFOs) is whether HR executives are equipped to help them to plan and meet financial requirements.

However, even though this strategic role of HR is recognized, many organizations still need to make significant progress toward fulfilling it. Some examples of areas where strategic contributions can be made by HR are:

- ☞ Evaluating mergers and acquisitions for organizational “compatibility,” structural changes, and staffing needs.
- ☞ Conducting workforce planning to anticipate the retirement of employees at all levels and identify workforce expansion in organizational strategic plans
- ☞ Leading site selection efforts for new facilities or transferring operations to international outsourcing.
- ☞ Locations based on workforce needs.
- ☞ Instituting HR management systems to reduce administrative time, equipment, and staff by using HR technology.
- ☞ Working with executives to develop a revised sales.
- ☞ Compensation and incentives plan as new products.

It is the era when for the competitive triumph of the organization there is a need to involve HRM significantly in an integrated manner, which demands such capabilities from the HR specialists.

The role of HR shifted from a facilitator to a functional peer with competencies in other functions, and is acknowledged as an equal partner by others. The HR is motivated to contribute to organizational objectives of profitability and customer satisfaction, and is seen as a vehicle for realization of quality development.

The department has a responsibility for monitoring employee satisfaction, since it is seen as substitute to customer satisfaction.

According to McKinsey’s 7-S framework model HR plays the role of a catalyst for the organization.

According to this framework, effective organizational change is a complex relationship between seven S’s. HRM is a total matching process between the three Hard S’s (Strategy, Structure and Systems) and the four Soft S’s (Style, Staff, Skills and Super-ordinate Goals). Clearly, all the S’s have to complement each other and have to be aligned towards a single corporate vision for the organization to be effective. It has to be realized that most of the S’s are determined directly or indirectly by the way Human Resources are managed, and therefore, HRM must be a part of the total business strategy.

COMPONENTS OR ELEMENTS OF HUMAN RESOURCES MANAGEMENT:

Human resource management is a process which involves around four basic functions- acquisition, development, motivation and maintenance of human resources. These basic elements are the key steps for achieving organizational goals. The basic influencing factor of these components is organizational goal

because such activities are to be performed within the given constraints in order to accomplish the task.

These four elements or factors of HRM can be described as follows:

1. **Acquisition:** Acquisition function is concerned with recruitment and selection of manpower requirement for an organization. It ensures that the company has the right number of people at the right place and at the right time who are capable to complete required work. It is the starting point of human resource management function. Acquisition is primarily concerned with planning, recruitment, selection and socialization of employees. It selects and socializes the competent employees who have adopted the organization's culture.
2. **Development:** Development phase begins after the socialization of newly appointed employees in an organization. It is concerned with imparting knowledge and skill to perform the task properly. Moreover, it is an attempt to improve employee performance by imparting knowledge, changing attitudes and improving skills. It can be done through teaching, coaching, class-room courses, assignments, professional programs and so on. The ultimate goal of employee development is of course to enhance the future performance of the organization by the efficient employees. The development of employees is not only for newly appointed employees, it is also for existing employees to develop them according to change in internal and external environment.
3. **Motivation:** Only training and development do not inspire employees to do better work. For this, they should be motivated. Here motivation means an activity which induces and inspires people to perform well in actual work floor. Motivation includes job specification, performance evaluation, reward and punishment, work performance, compensation management, discipline and so on. It is important for better work performance because high performance depends on both ability and motivation.
4. **Maintenance:** Maintenance is the last components of human resource management. it is concerned with the process of retaining the employees in the organization. This contributes towards keeping the employees who can do extremely better for the organization. It creates such a homely and friendly environment for those high performers, and make them to remain in the same organization for a longer period of time. This requires that the organization should provide additional facilities, safe working conditions, friendly work environment, and satisfactory labor relations. If these activities are performed in right manner, we can expect to have capable and competent employees in the organization. These employees are committed to the organizational objectives and are satisfied with their jobs.

HUMAN RESOURCE INTRODUCTION:

Among various factors of production, which are used in organization, human resource is the most important. This is because the efficient use of physical resources (i.e. land, machinery, materials) ultimately depends on human factor is out to good use on various operations. The most efficient machinery in the world will not produce at an optimum level unless the people who operate the machinery know how to make it perform at its best and most importantly, are motivated to make their equipment produce efficiently.

HRM means to Select, Develop, Motivate and Maintain human resources, in the organization. It first selects the right human resources or staff (i.e. managers and employees). It trains and develops them. It motivates them by giving them recognition and rewards. It also provides them with the best working conditions

DEFINITIONS:

"The Process of analysing and managing organizations human resources needs to ensure satisfaction of its strategic objectives"-Management –**Hellriegel/Slocum**

"The policies and practices involved in carrying out the 'people' or human resources aspects of a management position, including recruiting, screening, training and appraising."--**Human resource management –GrayDessler.**

Human Resource Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization.

HUMAN RESOURCE DEVELOPMENT (HRD) DEFINITION:

According to American Society for Training and Development (ASTD),

"HRD is the integrated use of:-

- ❖ Training and development,
- ❖ Organizational development, and
- ❖ Career development to improve individual, group and organizational effectiveness."
- ❖ The part of human resource management that specifically deals with training and development of the employees.

Human resource development includes training an individual after he/she is first hired, providing opportunities to learn new skills, distributing resources that are beneficial for the employee's tasks, and any other developmental activities.

Human Resource Development (HRD) is the framework for helping employees develops their personal and organizational skills, knowledge, and abilities. Human Resource Development includes such opportunities as employee training, employee career development, performance management and development, coaching, mentoring, succession planning, key employee identification, tuition assistance, and organization development.

PERSONAL MANAGEMENT AND INDUSTRIAL RELATIONS (PMIR):

There is no standard definition of the term 'personnel management'. Different writers have given different definitions of the term.

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

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

According to Brech, “Personnel Management is that part which is primarily concerned with human resource of organization.”

DEFINITIONS:

- ☞ ”The personnel function is concerned with the procurement, development, compensation, integration, and maintenance of the personnel of an organization for the purpose of contributing toward the accomplishment of that organization’s major goals or objectives. Therefore, personnel management is the planning, organising, directing, and controlling of the performance of those operative functions.” — Edwin B. Flippo, Principles of Personnel Management.
- ☞ “Personnel management is that field of management which has to do with planning, organising, and controlling various operative activities of procuring, developing, maintaining and utilizing a labour force in order that the objectives and interest for which the company is established are attained as effectively and economically as possible and the objectives and interest of all levels of personnel and community are served to the highest degree.” — M. J. Jucius, Personnel Management.
- ☞ “Manpower management effectively describes the processes of planning and directing the application, development, and utilisation of human resources in employment.” — Dale Yodder, Personnel Management and Industrial Relations
- ☞ “Personnel Administration is a method of developing the potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organization.” — Pigors and Myres, Personnel Administration
- ☞ “Personnel Management is that part of management process which is primarily concerned with the human constituents of an organization.” — E.F.L. Brech (ed.) Principles and Practice of Management
- ☞ “Personnel management is that part of management function which is concerned with people at work and with their relationships within an enterprise. Its aim is to bring together and develop into an effective organization the men and women who make up an enterprise and, having regard to the well-being of an individual and of working groups, to enable to make their best contribution to its success”. — The British Institute of Personnel Management
- ☞ “Personnel Management is that part of the management function which is primarily concerned with human relationships within an organization. Its objective is the maintenance of those relationships on a basis which, by consideration of the well-being of the individual, enables all those engaged in the undertaking to make their maximum personal contribution in the effective working of the undertaking.” — Indian Institute of Personnel Management, Kolkata.

OBJECTIVES OF PERSONNEL MANAGEMENT:

These are classified into two:

a) General Objectives:

These reveal the basic philosophy of top management towards the labour force engaged on the work and its deep underlying conviction as to the importance of the people in the organization. The following are the most important objectives.

(i) Maximum individual development:

The employer should always be careful in developing the personality of each individual. Each individual differs in nature and therefore management should recognise their individual ability and make use of such ability in an effective and make use of such ability in an effective manner.

(ii) Desirable working relationship between employer and employees:

It is the main objective of personnel management to have a desirable working relationship between employee and employees so that they may co-operate the management.

(iii) Effective molding of human resources as contrasted with physical resources: Man is the only active factor of production, which engages the other factors of production to work.

b) Specific objectives: Following are some of the important activities:

(i) Selection of right type and number of persons required to the organization.

(ii) Proper orientation and introduction of new employees to the organization and their jobs.

(iii) Suitable training facilities for better job performance and to prepare the man to accept the challenge of higher job.

(iv) Provision of better working conditions and other facilities such as medical facilities.

(v) To give a good impression to the man who is leaving the organization.

(vi) Maintaining good relations with the employees.

FUNCTIONS OF PERSONNEL MANAGEMENT:

There are three categories of functions which the personnel manager is expected to perform. These are:

I. Managerial Functions,

II. Advisory Functions, and

III. Operative Functions.

(i) Managerial Functions: Personnel manager is a member of management. So he must perform the basic managerial functions of planning, organizing, staffing, directing and controlling in relation to his department.

(ii) Advisory Functions: Personnel Manager has specialized education and training in managing human relations. He is an expert in his area and so can give advice on matters relating to human resources of the organization. He offers his advice to:

- a) **Top Management:** Personnel manager advises the top management in formulation and evaluation of personnel Programmes, policies and procedures. He also gives advice for achieving and maintaining good human relations and high employee morale.
- b) **Departmental Heads:** Personnel manager offers advice to the heads of various departments on matters such as manpower planning, job analysis and design, recruitment and selection, training performance appraisal, etc.

(iii) Operative Functions: The operative functions are those tasks or duties which are entrusted to the personnel department under general supervision of personnel manager. These are concerned with the employment, development, compensation integration and maintenance of personnel of the organization.

The personnel department performs the following operative functions:

(a) Employment: The first operative function of personnel department is the employment of proper kind and number of persons necessary to achieve the objectives of the organization. This involves recruitment, selection, placement, etc. of the personnel. Before these processes are performed, it is better to determine the manpower requirements both in terms of number and quality of the personnel.

Recruitment and selection cover the sources of supply of labour and the devices designed to select the right type of people for various jobs. Induction and placement of personnel for their better performance also come under the employment or procurement function.

(b) Training and Development: Training and development of personnel is a follow up of selection. It is a duty of management to train each employee properly to develop technical skills for the job for which he has been employed and also to develop him for the higher jobs in the organization.

Proper development of personnel is necessary to increase their skills in doing their jobs and in satisfying their growth need. For this purpose, the personnel department will devise appropriate training Programmes.

(c) Remuneration: This function is concerned with the determination of adequate and equitable remuneration of the employees in the organization for their contribution to the organization goals.

The personnel can be compensated both in terms of monetary as well as non-monetary rewards.

(d) Working Conditions: Merely appointment and training of people is not sufficient, they must be provided with good working conditions so that they may like their work and work place and maintain their efficiency. Working conditions certainly influence the motivation and morale of the employees.

(e) Motivation: Employees work in the organization for the satisfaction of their needs. In many of the cases, it is found that they do not contribute towards the organization goals as much as they can.

This happens because employees are not adequately motivated. The personnel manager helps the various departmental managers to design a system of financial and non-financial rewards to motivate the employees.

(f) Personnel Records: Personnel department maintains the records of the employees working in the enterprise. It keeps full records of their training, achievements, transfer, promotion, etc. It also preserves many other records relating to the behaviour of personnel like absenteeism and labour turnover and the personnel Programmes and policies of the organization.

(g) Industrial Relations: These days, the responsibility of industrial relations is mainly discharged by the personnel managers. Personnel managers help in collective bargaining, joint consultation and settlement of disputes if they arise.

This is because personnel manager is in possession of full information relating to personnel and has the working knowledge of various labour enactments.

The personnel manager can do a great deal in maintaining industrial peace in the organizations as he is deeply associated with various committees on discipline, labour welfare, safety, grievance, etc.

He helps in laying down the grievance procedure to redress the grievances of the employees. He also gives authentic information to the trade union leaders and conveys their views on various labour problems to the top management.

Unions expect the personnel management to bargaining in good faith, establish equilibrium in power relations and implement agreements in latter and spirit. The government expects the personnel to implement its policies and meet statutory requirements.

The role of the personnel department should bear relationship with the expectations and demands placed on them by these various client groups. Satisfying the multiple objectives of these diverse groups productively is a major challenge facing personnel executives.

Meanings of some of the words used in this definition are explained below:

- (i) Planning:** Planning means determination of personnel programme in advance.
- (ii) Organising:** Organising means establishing an organization by designing the structure of relationships among job, personnel and other physical factors to attain the company objectives.
- (iii) Directing:** Directing means guiding the people to do the work effectively.
- (iv) Controlling:** Controlling means regulating the activities in accordance with the plan.
- (v) Procurement:** Procurement of labour means obtaining the proper kind of personnel in required quantity to achieve company goals.
- (vi) Development:** Development of labour means increasing the skill of employees through training.
- (vii) Maintenance:** Maintenance means improving the conditions (e.g., health, safety, welfare etc.,) and sustaining them.

Traditionally, personnel management system is concerned primarily with the five basic sub-systems, namely recruiting, placement training, compensation (pay, fringe benefits etc.) and maintenance.

Human Resource Management, as against these traditional functions should be considered as total system that interacts with the other major systems of the organization purchasing, production, finance, marketing etc. The primary object of the human resource management programme is to serve these major systems.

Forecasting and planning the personnel needs of the organization, maintaining an adequate and satisfactory workforce and controlling the personnel policies and programmes of the organization are the major responsibilities of the human resource management.

In addition to different functions, in recent years following additional responsibilities are also expected from modern resource management system:

- (i) Equal employment opportunity.
- (ii) Occupational safety and health.
- (iii) Employment retirement income security.
- (iv) Upliftment of affected classes, a social responsibility.



FUNCTIONS AND OBJECTIVES OF PERSONNEL MANAGEMENT:

Personnel Management functions are generally divided into planning, organising, staffing, motivating and controlling aspects.

Major functions and objectives are given hereunder:





NATURE OF PERSONNEL MANAGEMENT:

The following points will bring out the nature of personnel management:

- 1. Managing People:** Personnel management is concerned with managing people at work. It does not manage only organized or unorganized workers in the organization, but everyone working in the enterprise. It covers all persons including clerical staff, executives, and managers.

2. **Concerned with Employees:** Personnel management deals with employees both as individuals as well as in groups. The aim is to motivate people for getting best results from them.
3. **Helping Employees:** The employees are helped to develop their talent fully by providing them appropriate opportunities. This will give them job satisfaction and may improve their performance at work.
4. **Universal Application:** Personnel management may be used everywhere and in every type of organization. It is equally useful in a government, semi-government, non-profit organizations as is beneficial to industrial and commercial houses. It is a part of general management and has roots extending throughout and beyond each organization.
5. **Continuous Application:** Personnel management is continuously used in every type of situation. It is not something which may be used here and there or now and then. In the words of George Terry, "It cannot be turned on and off like water from a faucet; it cannot be practiced only one hour each day or one day a week. Personnel management requires a constant alertness and awareness of human relations and their importance in everyday operations.

OBJECTIVES OF PERSONNEL MANAGEMENT:

According to Michael J. Jueius, personnel management should aim at:

- (a) Attaining economically and effectively the organizational goals,
- (b) Serving to the highest possible degree the individual goals, and
- (c) Preserving and advancing the general welfare of the community.

Personnel Management has been assigned the task of not only helping the organization and its employees but also the society at large.

The objectives of personnel management are discussed as follows:

1. **Enterprise Objectives:** The primary objective of personnel management is to help in achieving organizational goals. There will be a need for co-operation from everyone in the organization for achieving business goals. This requires that such persons should be employed who are capable of taking up the jobs assigned to them.

They should also be given proper training for undertaking the work effectively. This will be ensured by a suitable policy of recruitment, training and placement. The satisfaction of employees should be ensured to get their wholehearted co-operation. This may be done by looking after their convenience at work and offering them financial and other incentives. The enterprise objectives will only be achieved if everybody works for their attainment. Employees should be motivated to contribute their maximum to the organizational goals.

2. **Personnel Objectives:** Personnel management aims at the material and mental satisfaction to each employees in the organization. This will be possible when employees are provided with proper work environment and job satisfaction. The work place should be neat and clean and properly ventilated. Job satisfaction will include good remuneration, job security, avenues for promotion, financial and other incentives for improving performance.
3. **Social Objectives:** Personnel management also aims at preserving and advancing general welfare of the community. An enterprise owes a responsibility to the society at large. It can serve the society by creating more employment opportunities, producing quality goods at cheap rates. It can also help society by using productive resources in a best possible way and minimizing their waste.

ROLE OF PERSONNEL MANAGER:

Personnel manager is the head of personnel department. He performs both managerial and operative functions of management. His role can be summarized as:

- ❖ Personnel manager provides assistance to top management- The top management are the people who decide and frame the primary policies of the concern. All kinds of policies related to personnel or workforce can be framed out effectively by the personnel manager.
- ❖ He advises the line manager as a staff specialist- Personnel manager acts like a staff advisor and assists the line managers in dealing with various personnel matters.
- ❖ As a counsellor - As a counsellor, personnel manager attends problems and grievances of employees and guides them. He tries to solve them in best of his capacity.
- ❖ Personnel manager acts as a mediator- He is a linking pin between management and workers.
- ❖ He acts as a spokesman- Since he is in direct contact with the employees, he is required to act as representative of organization in committees appointed by government. He represents company in training programs

CONCEPT OF INDUSTRIAL RELATIONS (IR):

The term 'Industrial Relations' comprises of two terms: 'Industry' and 'Relations'. "Industry" refers to "any productive activity in which an individual (or a group of individuals) is (are) engaged". By "relations" we mean "the relationships that exist within the industry between the employer and his workmen."

The term industrial relations explains the relationship between employees and management which stem directly or indirectly from union-employer relationship.

DEFINITIONS:

The term 'industrial relations' has been variously defined. **J.T. Dunlop** defines industrial relations as "the complex interrelations among managers, workers and agencies of the governments".

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According to **Dale Yoder** “industrial relations is the process of management dealing with one or more unions with a view to negotiate and subsequently administer collective bargaining agreement or labour contract”.

The term ‘**Industrial Relations**’ comprises of two terms: ‘**Industry**’ and ‘**Relations**’. “**Industry**” refers to “any productive activity in which an individual (or a group of individuals) is (are) engaged”. By “relations” we mean “**the relationships that exist within the industry between the employer and his workmen.**” The term industrial relations explain the relationship between employees and management which stem directly or indirectly from union-employer relationship.

Industrial relations are the relationships between employees and employers within the organizational settings. The field of industrial relations looks at the relationship between management and workers, particularly groups of workers represented by a union. Industrial relations are basically the interactions between employers, employees and the government, and the institutions and associations through which such interactions are mediated.

Industrial Relation is a relation between employer and employees, employees and employers and employees and trade unions, and the “process by which people and their organizations interact at the place of work to establish the terms and conditions of employment.” - Industrial dispute Act 1947

The HR Employee Relations Manager directs the organization's employee relations function. They develop employee relations policies and ensure consistent application of company policies and procedures. In addition, they are responsible for employee dispute resolution procedures, performing internal audits, and taking appropriate action to correct any employee relations issues.

IMPORTANCE OF INDUSTRIAL RELATIONS:

The healthy industrial relations are key to the progress and success. Their significance may be discussed as under:

- **Uninterrupted production** – The most important benefit of industrial relations is that this ensures continuity of production. This means, continuous employment for all from manager to workers. The resources are fully utilized, resulting in the maximum possible production. There is uninterrupted flow of income for all. Smooth running of an industry is of vital importance for several other industries; to other industries if the products are intermediaries or inputs; to exporters if these are export goods; to consumers and workers, if these are goods of mass consumption.
- **Reduction in Industrial Disputes** – Good industrial relations reduce the industrial disputes. Disputes are reflections of the failure of basic human urges or motivations to secure adequate satisfaction or expression which are fully cured by good industrial relations. Strikes, lockouts, go-slow tactics, gherao and grievances are some of the reflections of industrial unrest which do not spring up in an atmosphere of industrial peace. It helps promoting co-operation and increasing production.


- **High morale** – Good industrial relations improve the morale of the employees. Employees work with great zeal with the feeling in mind that the interest of employer and employees is one and the same, i.e. to increase production. Every worker feels that he is a co-owner of the gains of industry. The employer in his turn must realize that the gains of industry are not for him alone but they should be shared equally and generously with his workers. In other words, complete unity of thought and action is the main achievement of industrial peace. It increases the place of workers in the society and their ego is satisfied. It naturally affects production because mighty co-operative efforts alone can produce great results.
- **Mental Revolution** – The main object of industrial relation is a complete mental revolution of workers and employees. The industrial peace lies ultimately in a transformed outlook on the part of both. It is the business of leadership in the ranks of workers, employees and Government to work out a new relationship in consonance with a spirit of true democracy. Both should think themselves as partners of the industry and the role of workers in such a partnership should be recognized. On the other hand, workers must recognize employer's authority. It will naturally have impact on production because they recognize the interest of each other.
- **Reduced Wastage** – Good industrial relations are maintained on the basis of cooperation and recognition of each other. It will help increase production. Wastage of man, material and machines are reduced to the minimum and thus national interest is protected.

Thus, it is evident that good industrial relations is the basis of higher production with minimum cost and higher profits. It also results in increased efficiency of workers. New and new projects may be introduced for the welfare of the workers and to promote the morale of the people at work. An economy organized for planned production and distribution, aiming at the realization of social justice and welfare of the masses can function effectively only in an atmosphere of industrial peace. If the twin objectives of rapid national development and increased social justice are to be achieved, there must be harmonious relationship between management and labor.

OBJECTIVES OF INDUSTRIAL RELATIONS:

The main objectives of industrial relations system are:

1. To safeguard the interest of labor and management by securing the highest level of mutual understanding and good-will among all those sections in the industry which participate in the process of production.
2. To avoid industrial conflict or strife and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of a country.
3. To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequency absenteeism.

4. To establish and promote the growth of an industrial democracy based on labor partnership in the sharing of profits and of managerial decisions, so that an individual's personality may grow its full stature for the benefit of the industry and of the country as well.
5. To eliminate or minimize the number of strikes, lockouts and gheraos by providing reasonable wages, improved living and working conditions, said fringe benefits.
-  6. To improve the economic conditions of workers in the existing state of industrial managements and political government.
7. Socialization of industries by making the state itself a major employer
8. Vesting of a proprietary interest of the workers in the industries in which they are employed.

NATURE OF INDUSTRIAL RELATIONS:

Essentially, IR is concerned with the relationship between management and workers and the role of regulatory mechanism in resolving any industrial dispute. A formal definition is:

"Concerned with the systems, rules and procedures used by unions and employers to determine the reward for effort and other conditions of employment, to protect the interests of the employed and their employers, and to regulate the ways in which employers treat their employees."

Specifically, IR covers the following areas:

1. Collective bargaining.
2. Role of management, unions, and government.
3. Machinery for resolution of industrial disputes.
4. Individual grievance and disciplinary policy.
5. Labour legislation.
6. Industrial relations training.

IMPORTANCE OF INDUSTRIAL RELATIONS:

IR is the key for increased productivity in industrial establishment. For example, at the Alwar plant of Eicher Tractors, productivity went up from 32% between 1994 and 1996 to 38% in 1997, the production of Engine cylinders has gone up from 29390 (in 1995-96) to 32501 (in 1996-97). This increase has been possible because of peaceful IR. IR has moral dimensions, too. It is unethical on the part of any management to take advantage of the helplessness of workers and exploit them. Unemployment compels workers - particularly illiterate and unskilled - to accept jobs, inhuman working conditions and wages notwithstanding.

IR assumes relevance in this context. One of its objectives is to protect workers interest and to improve their economic conditions.

IR seeks to protect the right of managers too. Managers expects workers to observe code of discipline, not to join illegal strikes, not to indulged in damaging the companies properties, not to assault supervisors or peers,

and not to come inebriated the workplace. Where workers behaviour deviates from expected lines. It is management's prerogative to take action.

There is a set procedure for handling any act of indiscipline or indiscretion on the part of an employee and if the management satisfied the procedure, it is justified in taking action or even removing the employee from service.

Little do all of us realise that it is the people who creates problem everywhere and it is only who can find solutions too. If there is a problem from employees, there is a solution also. Viewing every problem seriously and resorting the manipulative style of IR which emphasise the need the labour is check by floating stooge unions, buying up unions, and striking clandestine deals with powerful politicians do no good to managers or to the organization they represent. the field of ir needs a new look, a look which is free from suspicion, prejudice and ill will towards workers.

APPROACHES TO INDUSTRIAL RELATIONS:

The scenario of IR is perceived differently by different people. For some, IR is related to class conflict, other perceive it in terms of mutual cooperation and still others understand it in terms of competing interests of various groups. HR managers are expected to understand these varying approaches because they provide the theoretical understanding for much of the role of HRM.

The three popular approaches to IR are unitary approach, pluralistic approach and Marxist approach.

1. Unitary Approach
2. Pluralistic Approach
3. Marxist Approach

1. UNITARY APPROACH: Under unitary approach, IR is grounded in mutual cooperation, individual treatment, teamwork and shared goals. Workplace conflict is seen as a temporary aberration, resulting from poor management, from employees who do not mix well with the organizations culture. Unions cooperate with the management and the managements rights to manage is accepted because there is no "we-they" feeling. The underline assumption is that everyone benefits when the focus is on common interest and promotion of harmony. Conflict in the form of strikes is not regarded as necessary but destructive.

Advocates of the unitary approach emphasise on a reactive IR strategy. They seek that negotiations with employees. Participation of government, tribunals, and unions is not sought or are seen as been necessary harmonious employee relations.

The unitary approach is being criticized as a tool for seducing employees away from unionism and socialism. It is also criticized as manipulative and exploitative.

2. PLURALISTIC APPROACH: The pluralistic approach totally departs from the unitary approach. The pluralistic approach perceives:

- a. Organizations as coalition of competing interest, where the management's role is to mediate amongst the different interest groups.
- b. Trade unions as legitimate representatives of employee interests.
- c. Stability in IR as the product of concessions and compromises between management and unions.

Legitimacy of the management authority is not automatically accepted. Conflict between the management and workers is understood as inevitable and in fact, is viewed as conducive for innovation and growth. Employees join unions to protect their interest and influence decision making by the management. Unions thus balance the power between the management and employees. In the pluralistic approach, therefore, a strong union is not only desirable but necessary. Similarly, society's interests are protected by state intervention through legislation and industrial tribunals which provide orderly process for regulation and resolutions of conflict.

The theories on pluralism were evolved in the mid-sixties and early seventies when England witnessed a resurgence of industrial conflicts. However, the recent theories of pluralism emanate from British scholars, and in particular from Flanders and Fox. According to pluralists, industrial conflict is inevitable and it needs to contain within the social mechanism of collective bargaining, conciliation and arbitration.

3. MARXIST APPROACH: Marxist, like the pluralistic, regard conflict between employers and employees as inevitable. However, pluralists believe that the conflict is inevitable in all organizations. Marxists see it as a product of the capitalist society.

Adversarial relations in the workplace are simply one aspect of class conflict. The Marxist approach focuses on the type of society in which an organization functions. Conflict arises not just because of competing interest within the organization, but because of the division within society between those who own or manage the means of production and those who have only their labour to offer. Industrial conflict is thus seen as being synonymous with political and social unrest.

INDUSTRIAL RELATIONS STRATEGY

It is necessary to have a clear cut strategy for IR, although the management of IR is essentially a knee jerk reaction to events and problems and is, therefore, far removed from the world of strategic thinking and planning. Since employer-employee relations are usually presumed to be satisfactory until they get out of hand, managers, rarely, feel the need to act before the trouble breaks out.

But the reactive strategy cannot continue for long. Growing competition, difficult economic environment, rising labour cost, and low productivity compel business leaders to think and plan proactive strategies towards IR.

FACTORS AFFECTING EMPLOYEE RELATIONS STRATEGY

Two sets of factors, internal as well as external influence an IR strategy. The internal factors are:

1. The attitude of management to employees and unions.
2. The attitude of employees to management.

3. The attitudes of employees to unions.
4. The inevitability of the differences of opinion between management and union.
5. The extent to which the management can or wants to exercise absolute authority to enforce decision affecting the interests of employees.
6. The present and likely future strength of the union.
7. The extent to which there is one dominating union or the existence of multiple unions leading to inter-union rivalry.
8. The extent to which effective and agreed procedures for discussing and resolving grievances or handling disputes exists within the company.
9. The effectiveness of managers and supervisors in dealing with problems and disputes related to IR.
10. The prosperity of the company, the degree to which is expanding, stagnating or running down and the extent to which technological changes are likely to affect employment conditions and opportunities.

The external factors affecting IR strategy are:

1. The militancy of unions - nationally or locally
2. The effectiveness of the union and its officials and the extent to which the officials can and do control the activities of supervisors within the company.
3. The authority and effectiveness of the employers association.
4. The extent to which bargaining is carried out at national, local or plant level.
5. The effectiveness of any national or local procedures, agreements that may exist.
6. The employment and pay situation - nationally or locally.
7. The legal framework within which the IR exists.

JOB EVALUATION

DEFINITIONS:

Below are given some important definitions of job analysis:

Job Evaluation involves determination of relative worth of each job for the purpose of establishing wage and salary differentials. Relative worth is determined mainly on the basis of Job Description and Job Specification only. Job Evaluation helps to determine wages and salary grades for all jobs. Employees need to be compensated depending on the grades of jobs they perform. Remuneration must be based on the relative worth of each job. Ignoring this basic principle results in inequitable compensation and attendant ill effects on employees' morale. A perception of inequity is a sure way of De-motivating an employee.

- In the words of **Edwin B. Flippo**. "Job evaluation is a systematic and orderly process of determining the worth of a job in relation to other jobs."
- According to **Kimball and Kimball Jr.**, "Job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basic wage for such a job should be."

- According to **Bethel, Atwater and Smith et al**, "Job evaluation as a personal term has both a specific and genetic meaning specifically, it means job rating or the grading of occupations in terms of duties; generally it means the entire field of wages and salary administration along modern lines"
- According to **International Labour Organization**, "Job evaluation may be defined as an attempt to determine and compare the demands which the normal performance of particular job makes on



normal workers without taking account of the individual abilities or performance of the workers concerned."

- In the words of **Dale Yoder**, "Job evaluation is a practice which seeks to provide a degree of objectivity in measuring the comparative value of jobs within an organization and among similar organizations."
- According to **Bureau of Labour Statistics**, "Job evaluation is the evaluation or rating of job to determine their position in job hierarchy. The evaluation may be achievement through assignment of points or the use of some other systematic rating method for essential job requirements such as skill, experience and responsibility."

Jobs are evaluated on the basis of content and placed in order of importance. This establishes Job Hierarchies, which becomes the basis for satisfactory wage differentials among various jobs. Jobs are ranked (not jobholders)

Job evaluation is a formal and systematic approach to analysing jobs and categorizing them in regard to their relative worth in an organization. Job evaluations are usually based on compensation factors (skill set needed to perform the job, working conditions and job duties) rather than on the employee.

Job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organization

OBJECTIVES OF JOB EVALUATION:

The main objective of job evaluation is to determine relative worth of different jobs in an organization to serve as a basis for developing equitable salary structure. States an ILO Report the aim of the majority of systems of job evaluation is to establish, on agreed logical basis, the relative values of different jobs in a given plant or machinery i.e. it aims at determining the relative worth of a job. The principle upon which all job evaluation schemes are based is that of describing and assessing the value of all jobs in the firms in terms of a number of factors, the relative importance of which varies from job to job.

The objectives of job evaluation, to put in a more orderly manner are to:

1. Provide a standard procedure for determining the relative worth of each job in a plant.
2. Determine equitable wage differentials between different jobs in the organization.
3. Eliminate wage inequalities.

4. Ensure that like wages are paid to all qualified employees for like work.
5. Form a basis for fixing incentives and different bonus plans.
6. Serve as a useful reference for setting individual grievances regarding wage rates.
7. Provide information for work organization, employees' selection, placement, training and numerous other similar problems.
8. Provide a benchmark for making career planning for the employees in the organization.



PRINCIPLES OF JOB EVALUATION:

The job evaluation has certain principles. These principles are supposed to be kept in the mind of the job evaluators. These principles are not only directives of proper job evaluation but also provide clarity in the process of evaluation.

According to Kress, these principles are:

1. Rate the job and the jobber. Each element should be rated on the basis of what the job itself requires;
2. The elements selected for rating purposes should be easily explainable in terms and a few in numbers as will cover the necessary requisites for every job without any overlapping;
3. The elements should be clearly defined and properly selected;
4. Any job rating plan must be sold to foremen and employees. The success in selling it will depend on a clear-cut explanation and illustration of the plan;
5. Foreman should participate in the rating of jobs in their own departments;
6. Maximum co-operation can be obtained from employees when they themselves have an opportunity to discuss job ratings and;
7. Too many occupational wages should not be established. It would be unwise to adopt an occupational wage for each total of point values.

PROCEDURE OF JOB EVALUATION:

Though the common objective of job evaluation is to establish the relative worth of jobs in a job hierarchy, there is no common procedure of job evaluation followed by all organizations. As such, the procedure of job evaluation varies from organization to organization. For example, a job evaluation procedure may consist of the eight stages as delineated in Figure 14.1.



- 1) **Preliminary Stage:** This is the stage setting for job evaluation programme. In this stage, the required information's obtained about present arrangements, decisions are made on the need for a new programme or revision of an existing one and a clear cut choice is made of the type of programme is to be used by the organization.
- 2) **Planning Stage:** In this stage, the evaluation programme is drawn up and the job holders to be affected are informed. Due arrangements are made for setting up joint working parties and the sample of jobs to be evaluated is selected.
- 3) **Analysis Stage:** This is the stage when required information about the sample of jobs is collected. This information serves as a basis for the internal and external evaluation of jobs.
- 4) **Internal Evaluation Stage:** Next to analysis stage is internal evaluation stage. In the internal evaluation stage, the sample of bench-mark jobs are ranked by means of the chosen evaluation scheme as drawn up at the planning stage. Jobs are then graded on the basis of data pending the collection of market rate data. Relative worth of jobs is ascertained by comparing grades between the jobs.
- 5) **External Evaluation Stage:** In this stage, information is collected on market rates at that time.
- 6) **Design Stage:** Having ascertained grades for jobs, salary structure is designed in this stage.
- 7) **Grading Stage:** This is the stage in which different jobs are slotted into the salary structure as designed in the preceding stage 6.

8) Developing and Maintaining Stage: This is the final stage in a job evaluation programme. In this stage, procedures for maintaining the salary structure are developed with a view to accommodate inflationary pressures in the salary levels, grading new jobs into the structure and regarding the existing jobs in the light of changes in their responsibilities and market rates.

In India, the Indian Institute of Personnel Management, Kolkata has suggested the following five steps to be taken to develop a job evaluation programme:

1. Analyze and Prepare Job Description
2. Select and Prepare a Job Evaluation Programme/Plan
3. Classify Jobs
4. Install the Programme
5. Maintain the Programme

These steps are self-explanatory. Hence are not discussed in detail.

FEATURES OF JOB EVALUATION:

The primary objective of job evaluation is to find out the value of work, but this is a value which varies from time to time and from place to place under the influence of certain economic pressure, not least of which is the worth of money itself. The main features of job evaluations are:

- To supply bases for wage negotiation founded on facts rather than on vague intermediate ideas.
- It attempts to assess jobs, not people.
- Job evaluation is the output provided by job analysis.
- Job evaluation does not design wage structure, it helps in rationalising the system by reducing number of separate and different rates.
- Job evaluation is not made by individuals rather it is done by group of experts.
- Job evaluation determines the value of job. Further the value of each of the aspects such as skill and responsibility levels are also related and studied in connection with the job.
- Job evaluation helps the management to maintain high levels of employee productivity and employee satisfaction.

THE OBJECTIVES OF JOB EVALUATION:

- To establish an orderly, rational, systematic structure of jobs based on their worth to the organization.
- To justify an existing pay rate structure or to develop one that provides for internal equity.
- To assist in setting pay rates that are comparable to those of in similar jobs in other organizations to compete in market place for best talent.
- To provide a rational basis for negotiating pay rates when bargaining collectively with a recognized union.
- To ensure the fair and equitable compensation of employees in relation to their duties.
- To ensure equity in pay for jobs of similar skill, effort, responsibility and working conditions by using a system that consistently and accurately assesses differences in relative value among jobs and

- To establish a framework of procedures to determine the grade levels and the consequent salary range for new jobs or jobs which have evolved and changed.
- To identify a ladder of progression for future movement to all employees interested in improving their compensation.
- To comply with equal pay legislation and regulations determining pay differences according to job content.
- To develop a base for merit or pay-for-performance.

JOB EVALUATION METHODS:

After job analysis preparations of job descriptions comes the essential stage of job evaluation, namely, the systematic comparison of jobs in order to establish a job hierarchy. The techniques which have been commonly used tend to fall into one of the two main categories:

- Non-analytical or Non-quantitative or summary methods
- Analytical or quantitative methods.



Qualitative methods are:

- I. Job Ranking
- II. Job Classification or grading

Quantitative methods are:

- I. Factor Comparison
- II. Point rating or assessment

QUALITATIVE METHODS ARE:

I. **Job Ranking:** The simplest and most common technique for job evaluation employs a system whereby human resources associates or consultants rank jobs in an organization based on a single factor, such as difficulty or education required to effectively perform the job. They then base compensation on ranking order with the highest ranked position earning the highest pay. This least expensive method of job evaluation works well for smaller businesses with tight budgets. Although this method can prove

effective, its analytical system does not reach deep enough to determine other things associated with job evaluation, such as the value of the job to the individual organization or experiential competencies necessary to properly perform the job.

- **Point Method**: A more complex job evaluation technique, the point method, requires evaluators to assign points to a number of compensation characteristics based on skill level, responsibility, effort required and working conditions. They then assess the level to which each of these are present in the job and assign points accordingly. The jobs with the highest points garner the highest pay with this popular technique.
- **Factor Comparison**: Factor comparison, a sophisticated, yet time-consuming method, utilizes the techniques found in several job evaluation schemes. The first step in factor comparison involves assessing each job based on characteristics used in the point method, but without assigning points. Next, evaluators analyze their findings against the market rate of pay for the compensation factors ranked in the first step. Finally, they establish external benchmark jobs that they use to compare to the job and its compensable characteristics to determine rate of pay.

II. Job Classification: The classification method requires that evaluators categorize jobs into groups with relatively the same value to a business. The groups are commonly called grades. Evaluators categorize the grades with similar compensation characteristics together. The characteristics may include level of responsibility required, competencies required and physical exertion necessary to perform the job. Those evaluating the positions may choose to include other characteristics, such as education or security clearance levels required.

QUANTITATIVE METHODS ARE:

- I. Factor Comparison**: This is a combination of both rating and point rating methods. It means rates jobs by comparing them and makes analysis by breaking jobs into compensable factors. This system is usually used to evaluate white collar, professional and managerial positions.
- II. Point Rating or Assessment**: This is most widely used system of job evaluation. The method evaluates the compensable factors of each job. It involves a more detailed, quantitative and analytical approach to the measurement of job work. Under this method jobs are broke down based on various identifiable factors such as skill, effort, training, knowledge, hazards and responsibilities and so on. Thereafter, points are allocated to each of these factors. Weights are given to factors depending on their importance to perform the job. Points so allocated to various factors of a job are then summed. Then, the jobs with similar total of points are placed in similar pay grades. The sum of points gives an index of the relative significance of the jobs that are rated

ADVANTAGES OF JOB EVALUATION:

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

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

DRAWBACKS OF JOB EVALUATION:

In spite of many advantages, job evaluation suffers from the following drawbacks/limitations:

1. Though there are many ways of applying job evaluation in a flexible manner, rapid changes in technology and in the supply of and demand for particular skills, create problems of adjustment that may need further study.
2. When job evaluation results in substantial changes in the existing wage structure, the possibility of implementing these changes in a relatively short period may be restricted by the financial limits within which the firm has to operate.
3. When there are a large proportion of incentive workers, it may be difficult to maintain a reasonable and acceptable structure of relative earnings.
4. The process of job rating is, to some extent, inexact because some of the factors and degrees can be measured with accuracy.
5. Job evaluation takes a long time to complete, requires specialized technical personnel and is quite expensive.

MERIT RATING OF EMPLOYEES: DEFINITION, CONCEPT AND OBJECTIVES:

INTRODUCTION:

Merit Rating is also known as performance appraisal or performance evaluation. It is a systematic process for measuring the performance of the employees in terms of job requirements.

It utilizes various rating techniques for comparing individual employees in a work group in terms of personal qualities or deficiencies and the requirements of their respective jobs. It is an established fact that people differ in their abilities and aptitudes. These differences are natural to a great extent and cannot be eliminated even by providing same training and education facilities to them.

There will be some differences in the quality and quantity of work done by different workers even on the same job. Therefore it is essential for the management to know these differentials so that employees having better abilities may be rewarded and the wrong selection and placement maybe restricted or avoided.

CONCEPTS AND DEFINITIONS OF MERIT RATING:

According to Scot and Spriegel - "Merit-rating of an employee is the process of evaluating the employee's performance on the job in terms of the requirements of the job". It is a technique of assessing the worth of an employee with reference to job requirements.

According to Dale Yodder - "Refers to all formal procedures used in working organizations to evaluate personalities and contribution and potential of group members". In the words of Yodder all types of methods used in evaluating the worth of employees for the organization are termed as performance appraisal.

In views of Alford and Beaty - "Employees rating is the evaluation or appraisal or the relative worth to the company of a man's services on his job". According to his definition the contribution of employees on jobs and their usefulness to the company is assessed under performance appraisal.

Thus according to the above mentioned definitions merit-rating or performance appraisal is a systematic evaluation of employee's contribution to the organization in performance of their jobs. This evaluation is normally done by the immediate superior in the organization which is reviewed in turn by his superior. Not only the qualities, but deficiencies are also taken into consideration to improve the performance of employees.

While job evaluation aims at determining the worth of a job compared with other jobs, merit rating aims at evaluating the workers actually performing the jobs. The purpose behind merit rating is to suitably reward an employee on the basis of his merit.

Merit rating system being a scientific tool to assess individual abilities of workers brings out differences among workers. In merit rating system, a number of traits are measured to know an employee's worth.

The personal qualities of employees which are usually appraised through merit rating are as follows:

1. Knowledge, skill and experience of the work.
2. Aptitude for the work.

3. Quality of work done.
4. Quantity of work done.
5. Attendance and punctuality.
6. Reliability and integrity.
7. Supervisory qualities like leadership, initiative, self-confidence and sense of judgment.
8. Co-operation and discipline.
9. Quality of adjustability in unusual circumstances.

Each of the above traits is assigned point value and each employee is evaluated according to the degree of traits he possesses. The employees may be rated either individually in order of points they secure or they may be arranged in groups according to their common ratings.

IMPORTANCE OF MERIT RATING:

Merit rating has been developed as a valuable tool of personnel management. It has the following advantages:

1. It helps the supervisor in evaluating the performance of his subordinates which is helpful in knowing the different qualities. In this way, suitable task can be assigned to the labour force on the basis of their qualities.
2. It pinpoints defects of workers so that they may improve their performance.
3. Merit rating of workers helps in determining wage increases and promotions.
4. Merit rating reveals weaknesses of workers and indicates the areas in which systematic training is needed.
5. Merit rating develops a sense of confidence among workers because they are convinced of the basis of evaluation of their abilities. In this way, it is helpful in removing the grievances of workers.
6. Merit rating is helpful in determining the wages of workers on the basis of their abilities.

OBJECTIVES OF MERIT RATING:

People differ in abilities and aptitudes. Management should know these differences so that employees are assigned jobs according to their capability.

Main objectives of merit rating are as follows:

1. To assess the work of employees in relation to their job requirements.
2. To consider employees/workers for promotions, transfer, layoffs etc.
3. To assess the good and bad points in working of employees and then making suggestions for improvement.
4. To help in wage and salary administrations and taking decisions about incentives and increments to be given to the workers.

5. To evaluate skill and training capabilities of employees and helping in planning suitable training and development programmes for workers.
6. To know the problems faced by workers while doing various jobs.
7. To provide a basis for comparison to segregate efficient and inefficient workers.
8. To help management in placement/transfer to workers according to their capacity, interest, aptitude and qualifications.
9. To help supervisors to know their subordinates more closely for increasing their efficiency and improving productivity.

METHODS OF MERIT RATING:

The different methods of merit rating, merit rating plans or merit rating systems are discussed below:

1) Rating Scale Method:

The steps involved in Rating Scale method are:

- (a) Define the merit factors (i.e., standards) to rate the employees.

The different factors, according to the nature of job may be as follows:

- | | |
|---------------------------------|-----------------------------|
| i. Standard of output, | ix. Efforts and initiative, |
| ii. Quantity of output, | x. Adaptability, |
| iii. Intelligence, | xi. Co-operation, |
| iv. Job knowledge, | xii. Judgment, |
| v. Leadership, | xiii. Character, |
| vi. Integrity, | xiv. Loyalty, and |
| vii. Dependability, | xv. Health and appearance. |
| viii. Education and experience, | |

The number of factors employed for rating an employee may vary from six to ten.

- (b) Divide each factor into three to five different grades or degrees like Excellent, Very good, Good, Fair and Unsatisfactory.
- (c) Impart certain points (marks) to each grade.
- (d) The worth of an employee can be determined from the total points he gets for all his merit factors.

On the basis of these points different workers can also be compared.


2) Check List Method:

The method employs a list of questions and several statements which are concerned with the employee performance on various aspects of the job and which are considered important for evaluating the merit of

an employee for that job. The questions are of Yes or No type. Each question or statement possesses certain points which when totalled together for all the relevant questions indicate the rating of an employee.

Advantages:

(i) It is a good method of merit rating.

 (ii) It reduces Halo-Effect.

Disadvantages:

It is time consuming and very difficult to construct statements and prepare appropriate questions.

3) Employee Comparison Method:

The method compares a worker on a job with all other workers on the same job, in pairs. Suppose there are four workers namely W, X, Y and Z.

Then,

W is compared with X and suppose

W is better W is compared with Y and suppose Y is better

W is compared with Z and suppose W is better Next,

X is compared with Y and suppose Y is better

X is compared with Z and suppose Z is better

Y is compared with Z and suppose Y is better

The summary of the results shows that

W turned out to be better – 2 times

X turned out to be better – Nil.

Y turned out to be better – 3 times (maximum) and

Z turned out to be better – 1 time.

Therefore, the worker Y is taken to be the best worker.

This method consumes much time especially when the number of employees to be compared is large.

METHODS OF MERIT RATING:

- **Ranking Method:-** This is the simplest method in which all the employees are compared with one another. They are ranked in descending order from best to worst. This method has a serious limitation that it is not diagnostic to point the specific areas of weakness and strength of a worker. The method is highly subjective. The difference in rank does not provide the exact nature or quantum of merit-differential.

- **Paired Comparison Method**:-In this method, each member of the group is compared with remaining other members of the group. Each judgment is recorded in terms of score. These scores are added up to find the final ranking of each person.
- **Wage Incentive**:-Payment for labor or services to a worker, especially remuneration on an hourly, daily, or weekly basis or by the piece Wages" means compensation for labor or services rendered by an employee, whether the amount is determined on a time, task, piece, commission or other basis of calculation
- **Time Wage System**:-_Under this system, wages are paid on the basis of time spent on the job irrespective of the amount of work done. The unit of time may be a day. A week, a fortnight or a month. In the past, daily wages have been the most common basis and, therefore, it came to be known as the 'Day Wage System'.
- **Piece Wage System**:-Under this system, remuneration is based on the amount of work done or output of a worker. One unit of output is considered as one piece and a specific rate of wage is paid per piece. Greater id the number of pieces produced by a worker, higher is his remuneration. Thus, a workman is paid in direct proportion to his output. It is called payment by results.

BENEFITS OR ADVANTAGES OF MERIT RATING:

Besides a few mentioned under objectives, other advantages of Merit Rating are as listed below:

- (1) Merit rating develops the ability of a rater,
- (2) Meritorious employees are encouraged,
- (3) Employee-employer relations improve.
- (4) It is easy to deal with the unions as merit rating is a systematic method to rate the employees.
- (5) It involves lesser calculations as compared to other incentive schemes.

DISADVANTAGES OF MERIT RATING:

- (1) It entails Halo Effect. Halo effect means the tendency of the rater to rate an employee consistently low, average or high in all jobs, simply basing upon the general impression formed by him about the employee.
- (2) Correct results will not be obtained, if merit factors relevant to a particular job are, somehow or other omitted or points allocated to them are not fair.
- (3) A rater may play safe and tend to impart average grade to an employee who otherwise deserves unsatisfactory rating.
- (4) A rater, if he does not make enough personal contacts with each employee cannot rate them correctly.
- (5) A rater (i.e., supervisor) may not like to degrade his subordinates who maybe excellent otherwise but not good at work.

(6) Merit rating does not reward employees immediately for their performance.

Merit-rating plays very important role in the human resource administration of a firm. Its advantages are:

DIFFERENCE BETWEEN MERIT RATING AND JOB EVALUATION:

- 1) **Rating or job/Employees:** Job evaluation is related with the rating of the job whereas merit rating is a systematic process or evaluation of the capacities and abilities of the man doing the job.
- 2) **Purpose:** The purpose of the job evaluation is to fix wages for the jobs by considering certain factors such as skill, responsibility etc. In case of merit rating, the purpose is to evaluate the employee for the purpose of promotion, training, pay increase or incentives etc.
- 3) **Job difference/Individual differences:** Job evaluation considers the differences in jobs whereas merit rating recognizes the individual differences.
- 4) **Objectives/Subjective Qualities:** The type of factors to be considered are objective in case of job evaluation, whereas in case of merit rating subjective qualities are considered.
- 5) **Performance of individual versus job:** Job evaluation becomes the basis of determining wages whereas merit rating is undertaken to find out the efficiency of the individual for doing specific jobs.
- 6) **Test of worth versus merit:** In job evaluation, an attempt is made to know the worth of a job in terms of certain factors such as responsibility and effort (mental as well as physical). Merit rating identifies the capacity and capability of an individual for doing specific job.
- 7) **Uses:** Job evaluation is meant for determining the wages on an employee. On the other hand, merit rating is utilized for placement and training etc.

WAGE INCENTIVE PLANS: OBJECTIVES, ADVANTAGES, LIMITATIONS AND TYPES:

Wage incentive refers to performance linked compensation paid to improve motivation and productivity. It is the monetary inducements offered to employees to make them perform beyond the acceptance standards.

According to the National Commission of Labour “wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person over and above the time rated remuneration, for improvements in the present or targeted results”.

Scott defines it as “any formal and announced programme under which the income of an individual, a small group, a plant work force or all the employees of a firm are partially or wholly related to some measure of productivity output”.

Human and Nickerson define it in simple terms as “all the plans that provide extra pay for extra performance in addition to regular wages for a job”.

OBJECTIVES OF WAGE INCENTIVE SCHEMES:

- (i) To use wage incentives as a useful tool for securing a better utilisation of manpower, better productivity scheduling and performance control, and a more effective personnel policy.
- (ii) To improve the profit of a firm through a reduction in the unit costs of labour and materials or both.

(iii) To increase a worker's earning without dragging the firm into a higher wage rate structure regardless of productivity.

(iv) To avoid additional capital investment for the expansions of production capacity.

PRINCIPLES OF A GOOD WAGE AND SALARY ADMINISTRATION:

- a. Simple and easy to understand.
- b. Union management agreement.
- c. Time standard must be fixed.
- d. Reward must be proportional to the effort.
- e. Complaints and grievances must be properly attended to.
- f. The plans should not change frequently and must be tried out continuously for some length of time.
- g. Equity and fairness.
- h. Workers must be made to understand the plan.
- i. Method study must precede time standard.
- j. There must be a min guaranteed payment.

ADVANTAGES OF INCISIVE PLANS:

Wage incentive plans benefit not only the employees but also the employers.

- a. Wage incentive plans provide an opportunity for hardworking and ambitious workers to earn more.
- b. It encourages employees to be innovative. They come out with more efficient ways of doing work by overcoming the problems related to productivity and wasteful practice.
- c. Incentive plans help to improve discipline and industrial relations. Effective incentive plan helps in minimizing absenteeism, accidents etc.
- d. The self-motivation on the part of the workers to work hard and improve performance so as to earn monetary rewards will reduce the cost of supervision.
- e. The scientific work study undertaken before introducing the incentive plans helps in improving work flow, work methods etc.
- f. The employees are encouraged to work as a team with mutual co-operation as their activities is interdependent, and any obstruction on the part of a worker can affect the output and rewards.
- g. According to the National Commission on Labour, "wage incentive is the cheapest, quickest and surest means of increasing productivity."

LIMITATIONS:

- a. Jealousy and conflicts among workers may arise when some workers earn more than others.

- b. Unless strict check and inspections are maintained, quality may come under stake in the enthusiasm among workers to increase productivity.
- c. In the absence of a ceiling on incentive earnings, some workers may spoil their health.
- d. Strict vigilance becomes necessary to ensure that workers do not disregard safety regulation.
- e. The cost and time of clerical work increases in introducing and administrating the incentive plans.
- f. Whenever production flow is disrupted due to the fault of management, workers insist on compensation.

TYPES OF WAGE INCENTIVE PLANS:

The various incentive plans can be classified into two groups: 1. Individual Incentive Plans 2. Group Incentive Plans.

Following are the types of wage incentive plans.

They can be diagrammatically represented as below:



1. Straight Piece Rate Plan:

Under the straight piece rate plan workers are paid based on their output. For example, if the piece rate is Rs. 4 per piece of the product, then a worker who turns out 40 pieces/day earns Rs. 160 (Rs. 4 x 40) as his wage for that day. Whereas another employee who produces 32 pieces/ day earns Rs. 128 (Rs. 4 x 32 pieces). Hence a fast worker earns more compared to the slow worker.

Advantages:

- i. Motivates the workers to increase their output.
- ii. Simple and easy to understand.
- iii. Improve productivity.

Disadvantages:

- i. No guaranteed minimum wage. This makes workers insecure.
- ii. Great disparity of earning between slow and fast workers.
- iii. Wastage might increase.
- iv. Quality of production may suffer as the workers concentrate on quantity.
- v. Interpersonal relationship suffers due to jealousy and competition to earn more.
- vi. Enforced idleness like electricity failure or machine breakdown, adversely affect earning of workers.

2. Standard Piece Rate with Guaranteed Minimum Wage:

Here the minimum guaranteed wage is fixed on hourly basis. A worker gets the minimum fixed wage/day plus the incentive for the number of pieces produced. To illustrate this, assume that there is 8 hour's shift the piece rate is Rs 4 and a minimum fixed wage of Rs 16/ hours (Rs 16 x 8 hours = Rs. 128 per day). The standard time/piece is 15 min.

Now, there are two workers A and B. (If worker A produces 25 prices/day then he earns: Rs. 128 (min. guaranteed wage) + Rs. 100 (Rs. 4 x 25 pcs) = Rs. 228/ day

If worker B produces 40 pieces / day then he earns Rs. 128 (min. guaranteed wage) + Rs. 160 (40 pieces x Rs. 4) = Rs. 228/ day)

Advantages:

- i. Min. guarantee improves sense of security.
- ii. Disparity between slow and faster workers is reduced.

Disadvantages:

- i. Demotivate faster worker.
- ii. Slow workers get higher piece rate viz Rs. 5.12 (128/ 25).

DIFFERENTIAL PIECE RATES:

The shortcoming of the above mentioned incentive plans have given way Differential piece rates. The differential piece rates are classified under two heads viz. Individual incentive plans and Group incentive plans.


INDIVIDUAL INCENTIVE PLANS:

The different plans here are discussed below:

(a) Halsey Plan:

The features of this plan are:

- a. Min. wage is guaranteed.
- b. Additional bonus is provided to workers who

 Wage and Salary Administration 147 complete the job in less than the “standard time”. Bonus is a certain proportion to the time saved. This proportion is fixed at 50% in this plan.

The total wage is calculated as:

$$T \times R + 50\% (S - J) \times R$$

Where,

J – time taken

R – Rate of wage

S – Standard time

50% – The bonus percentage.

Illustration:

S = 10 hours, J = 8 hours; R = Rs. 5 / Hr; Bonus = 50%

$$\Phi = 8 \times 5 + (50/100) \times (10 - 8) \times 5$$

$$\Phi = \text{Rs. } 45.$$

Advantages:

- i. Guaranteed min. wage exists.
- ii. Simple and easy.
- iii. Dispensed with time consuming and costly process of work study.
- iv. Management share a part of bonus on time saved.

Disadvantages:

- i. Workers get only half of the benefit of their efficiency.
- ii. If the worker's rush through the job to save time, the quality may suffer.
- iii. Workers object management in sharing bonus on time saved.
- iv. Sufficient incentive is not provided to fast workers.

(b) Rowan Plan:

This is a modified form of Hasley Plan, developed by James Rowen of England. The Rowan Plan pays more than the Halsey Plan. This is possible if a worker completes the task in half the standard time of the task. If more than 50% time is saved then the bonus he earns decreases.

Therefore, Total wage = $J \times R + [J \times R \times (\text{Time saved}/\text{std. time})]$

Illustration:

$S = 10$ hours; $J = 8$ hours; $R = \text{Rs. } 5 / \text{hrs.}$

$$\Phi = 8 \times 5 + [8 \times 5 + (2/10)]$$

$$\Phi = \text{Rs. } 48$$

Advantages:

- i. Minimum guaranteed wage exists.
- ii. Both the employees and the workers share the benefits of time saved.
- iii. The efficient workers get bonus at diminishing rate if they save more than 50% of the standard time. This checks over-speeding.

Disadvantages:

- i. Incentive provided for fast worker is not sufficient.
- ii. Workers dislike management sharing bonus of time saved.

(c) Gantt plan:

This plan was developed by Henry L. Gantt. Here standard time for every task is fixed through time and motion study. Minimum time wage is guaranteed to all workers.

A worker who fails to complete the task within the standard time receives wages for actual time spent at the specified rate. Workers who achieve or exceed the standard get extra bonus varying between 20% to 50% of the hourly rate for the time allowed for the task.

Illustration:

(S) Suppose the standard time fixed for the job is 8 hours and (T) time rate is Rs. 10 per hour and the rate of bonus is 25%, then a worker who completes the job in 10 hours will be paid Rs. $10 \times 8 = \text{Rs. } 80$. On the other hand the worker who completes the job in 6 hours will be paid Rs. 100 (Rs. $80 + 25\%$ of Rs. 80).

Advantages:

- i. Minimum guarantee exists.
- ii. Fast worker is paid bonus at higher rate proportional to their output.
- iii. Standard worker is paid 20% bonus.
- iv. Part of bonus is shared by the organization.

Disadvantages:

- i. Sharing of bonus by organization is resentment.
- ii. Disunity among the slow and the fast workers.

(d) Bedeaux Plan:

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This plan is developed by Charles E. Bedeaux in 1911. Here the minimum time wage is guaranteed to all workers. The workers who complete the job within or more than the standard time are paid at the normal time rate.

Workers who complete the job in less than the standard time are paid bonus, generally 75% of the wage for the time saved and 25% to the foreman.

The wage rate is calculated as:

$$S \times R + 75\% \text{ of } R (S - T)$$

Illustration:

$$S = 10 \text{ hrs; } R = \text{Rs. } 5 / \text{ hrs; } T = 8 \text{ hrs.}$$

Then:

$$\Phi = 10 \times 5 + 75\% (5) \times (10 - 8)$$

$$= 50 + (3.75 \times 2)$$

$$= 50 + 7.50$$

$$\Phi = \text{Rs. } 57.50$$

Advantages:

- i. Min. wage is guaranteed to all the workers.
- ii. The foreman is motivated to the productivity as 25% of time saved is paid to him.
- iii. This plan is suitable in factories wherein a worker is expected to perform different types of jobs.

Disadvantages:

- i. Workers may resent sharing the bonus with foreman.
- ii. Workers may find it difficult to understand the complete calculation involved in this method.

(e) Emerson's Efficiency Plan:

This plan was developed by Harrington Emerson. Here minimum wage is guaranteed. Workers are paid different bonus rates as per their efficiency level. Bonus is given at an increasing percentage beyond the prescribed level of efficiency (usually 66.67%). Efficiency is measured by comparing the actual time taken with the standard time.

Illustration:

$$S = 10 \text{ hrs, } T = 8 \text{ hrs, } R = \text{Rs. } 5 / \text{ hr.}$$

Bonus = 10% upto 75 % efficiency

20% for 75%- 100%

30% beyond 100%

$$\Phi = (T \times R) + (\text{percentage of bonus} \times T \times R)$$

In this case, the efficiency level in $(10/8) \times 100 = 125\%$ and,

Bonus at 30% is payable.

$$\text{Total wage} = 8 \times 5 + (30/100) (8 \times 5)$$

$$= 40+12$$

Rs. 51.

If worker A takes 16 hrs, then his bonus is nil.

If worker B takes 14 hrs, his bonus is $(1/10) \times 14 \times 5$.

If worker C takes 10 hrs, his bonus is $(2/10) \times 10 \times 5$.

If worker D takes 8 hrs, his bonus is $(3/10) \times 8 \times 5$.

Advantages:

- i. Guaranteed time wage provides a sense of security to all the workers.
- ii. It encourages healthy competition among workers.
- iii. Bonus begins at 66.67% efficiency which is within the reach of many workers.

Disadvantages:

- i. There is little incentive after 100% efficiency level.
- ii. The plan is not very flexible or selective.
- iii. Employer may fix the standard time at a low level making it impossible for most of the workers to earn bonus.

GROUP INCENTIVE PLAN:

A group incentive plan scheme is designed to promote effective teamwork, as the bonus is dependent on the performance and output of the team as a whole. Under group incentive plan, each employee is paid incentive on the basis of collective performance of his group to which he belongs. Within the group, each employee gets an equal share of the incentive.

Some of the group incentive plans are:

- I. Priestman's Plan.
- II. Scanlon's Plan.

I. Priestman's Plan:

In this plan workers are not considered individually but collectively. This system considers the productivity of all workers as a whole. Bonus is paid in proportion in excess of standard output per week. If in a year, the output increases either above the standard output or the output of the previous year, the wages are increased in the same ratio.

For example, if in 2009 the output per worker per unit time is 10 units and in year 2010 the output per worker per unit time comes out to be 12 units, the wages in 2010 will be 20% more than in 2009. The drawback of this system is that individual efficiency is not considered.

II. Scanlon's Plan:

A Scanlon plan is a type of gain sharing plan that pays a bonus to employees when they improve their performance or productivity by a certain amount as measured against a previously established standard. A typical Scanlon plan includes an employee suggestion program, a committee system, and a formula-based bonus system. A Scanlon plan focuses attention on the variables over which the organization and its employees have some control.

OTHER FORMS OF INCENTIVES:

Apart from the above mentioned incentive plans; there are also other forms of incentives, especially for the white collared workers. They are briefly discussed below.

- **Employee Stock Option Plan:**

This is popularly known as ESOP. This is a form of incentive where the employees are allotted the company share at a price below the market price. When the company achieve better results, the market price of its shares and the value of the employees' shareholding rise.

This form of incentive plan is relatively new in India and is becoming popular of late. IT is motivating to the employee, as (it enhances a sense of belongingness to the organization) shareholders are the owners of the organization.

- **Profit Sharing:**

Prof. Seager defines profit sharing as "an arrangement by which employees receive a share, fixed in advance of the profits". Profit sharing usually involves the determination of an organization profits at the end of the fiscal, year and the distribution of a percentage of the profits to the workers qualified to share in the earnings. The main objectives of profits sharing are to create unity of interest and the spirit of co-operation.

The theory behind profit sharing is that management should feel its workers will fulfill their responsibilities more diligently if they realize that their efforts may result in higher profits which will be returned to the workers through profit sharing.

In India this incentive scheme is not well received by both the management and the workers. Committee appointed by the Govt. of India suggested profit sharing as a method of ensuring industrial peace and a step towards workers' participation in management and also suggested that 50% of the profit be shared among the workers.

Both the employers and the trade unions rejected this. The trade unions prefer bonus to profits sharing as bonus is payable irrespective of profit or loss under the Bonus Act 1965.

- **Fringe Benefits:**

ILO describes fringe benefits as wages are often augmented by special cash benefits, by the provision of medical and other services or by payment in kind that form part of the cost for expenditure on the goods in services.

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In addition workers commonly receive such benefits as holidays with pay low cost meals, low rent housing etc. such additions to the wage proper are sometimes referred to as fringe benefits.

Fringe benefits involve a labour cost for the employer and are not meant directly to improve efficiency. These add to the workers standard of living. Hence benefits may be statutory or voluntary.

They improve motivation and morale of workers by satisfying their needs and develops a sense of belonging and loyalty among workers. They also improve the public image of the organization.



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IMPORTANT QUESTIONS IN UNIT - V FROM PREVIOUS QUESTION PAPERS

1. Explain the various types of values. Discuss each of these citing suitable examples. [15M] April – 2015 Set 1
2. Critically evaluate different methods of merit rating. [15M] April – 2015 Set 1
3. Define Human resource management. What are its elements and what is its significance to organizational development? [8M] May/June – 2015 Set 1
4. Explain different methods of merit rating. [7M] May/June – 2015 Set 1
5. What are the key functions of a human resource manager? [8M] May/June – 2015 Set 2
6. Define job evaluation and narrate the various steps involved for evaluating the jobs. [7M] May/June – 2015 Set 2
7. What are the objectives and activities associated with man power planning? [8M] May/June – 2015 Set 3
8. Define wage incentive plans. What are its objectives and drawbacks? [7M] May/June – 2015 Set 3
9. Differentiate personnel and industrial relations from Human Resource Management. [7M] May/June – 2015 Set 4
10. Explain the following concepts with appropriate examples
i) Job description ii) Job specification [8M] May/June – 2015 Set 4
11. Define 'Job evaluation' and narrate the various steps involved for evaluating jobs. [8M] Dec – 2015 Set 1
12. What is profit sharing? [4M] April - 2016 set 1
13. Why an employee must be rated? State and explain different methods of employee rating. [8M] April - 2016 set 1
14. Discuss the fundamental requirements of good financial wage incentive system. [8M] April - 2016 set 1
15. What is incentive? How it helps to improve production? [4M] April - 2016 set 2
16. What are the objectives and functions of trade union? [8M] April - 2016 set 2
17. Explain Rowan plan of wage rating. [8M] April - 2016 set 2
18. State few non-financial incentives offered to the employees in a manufacturing industry. [4M] April - 2016 set 3
19. Explain the functions of personnel management. [8M] April - 2016 set 3
20. State the need and types of Job-evaluation. [8M] April - 2016 set 3
21. State the difference between merit rating and job evaluation. [4M] April - 2016 set 4

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22. Why is it important to manage human resource in an organization? Discuss. [8M] April - 2016 set 4
23. Explain any one type of wage incentive plan that you think will improve the productivity of a continuous production industry. [8M] April - 2016 set 4
24. What are the benefits of 'job evaluation'? [7M] Nov/Dec 2016 set 1
25. How can HR manager help in maintaining cordial relations between trade unions and management? [8M] Nov/Dec 2016 set 1
26. What is merit rating and what are its objectives [3M] Nov/Dec 2016 set 1
27. State and explain the functions of personnel management. [9M] Nov/Dec 2016 set 1
28. What are the main benefits and limits of job evaluation? [7M] Nov/Dec 2016 set 1
29. Explain the difference between job evaluation and merit rating [8M] April - 2017 set 1
30. What are the principles of human resource management? [7M] April - 2017 set 1
31. What do you mean by human resource management? [4M] April - 2017 set 1
32. Define personnel management. Enumerate its importance in business organization. Also state its characteristics. [8M] April - 2017 set 1
33. Enumerate various steps involved in job evaluation procedure. [8M] April - 2017 set 1
34. What are the functions of personnel management? [4M] April - 2017 set 2
35. State and describe the principles of personnel management briefly. [8M] April - 2017 set 2
36. Briefly explain the job evaluation methods with merits and demerits. [8M] April - 2017 set 2
37. Briefly discuss about wage incentive plans. [4M] April - 2017 set 3
38. Describe the important functions of personnel management. [8M] April - 2017 set 3
39. How is job analysis different from job description? What are the uses of it? [8M] April - 2017 set 3
40. How a merit rating is given for job evaluation? [4M] April - 2017 set 4
41. Define personnel management. State its characteristics. [8M] April - 2017 set 4
42. What is job evaluation? What objectives can be served from scientific job evaluation studies? [8M] April - 2017 set 4
43. What is job evaluation? What objectives can be served from scientific job evaluation studies? [7M] Nov - 2017 set 1
44. Why an employee must be rated? State and explain different methods of employee rating. [8M] Nov - 2017 set 1
45. What are the objectives of human resource management? [4M] Nov - 2017 set 1
46. What are the functions of a personnel manager? [8M] Nov - 2017 set 1
47. What do you understand by merit rating? List out its advantages and disadvantages.

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- [8M] Nov - 2017 set 1
48. What are the functions of personnel management? [4M] April - 2018 set 1
49. Define HRM? Explain its elements and significance to organizational development. [8M] April - 2018 set 1
50. What is personnel management? What are its features and functions? [8M] April - 2018 set 1
51. Explain the job evaluation techniques? [3M] April - 2018 set 2
52. Briefly explain various wage intensive schemes? [8M] April - 2018 set 2
53. Define merit rating. Discuss the objectives, advantages and disadvantages of merit rating. [8M] April - 2018 set 2
54. Explain job analysis techniques? [3M] April - 2018 set 3
55. What is the importance of industrial relations for the success of an organization? Explain. [8M] April - 2018 set 3
56. Define wage incentive plans. What are its objectives and drawbacks? [8M] April - 2018 set 3
57. What are the elements of HRM? [4M] April - 2018 set 4
58. Describe the functions of human resource management? [8M] April - 2018 set 4
59. Differentiate personnel and industrial relations from HRM? [8M] April - 2018 set 4
60. Write short notes on Job analysis. [4M] Nov - 2018 Set 1
61. Define HRM. Explain its elements and significance to organizational development. [7M] Nov - 2018 Set 1
62. What is personnel management? What are its features and functions? [7M] Nov - 2018 Set 1
63. Describe the general structure for double sampling plan. What are their advantages and disadvantages? [15M] Nov - 2018 Set 1
64. Define man power planning? What are the characteristics and basis for man power planning?
65. Explain the qualities and qualifications necessary for a good personnel manager?
66. Define and explain the term industrial relations?
67. Define the term job evaluation? Explain the process of job evaluation?
68. Define job analysis? Explain its objectives and components?

UNIT - 6**VALUE ANALYSIS/VALUE ENGINEERING****SYLLABUS:**

VALUE ANALYSIS: Value engineering, implementation procedure, enterprise resource planning and supply chain management.

INTRODUCTION

Value Analysis is one of the major techniques of cost reduction and control. It is a disciplined approach which ensures the necessary functions for the minimum cost without diminishing quality, reliability, performance and appearance.

It is a creative approach to eliminate the unnecessary costs which add neither to quality nor to the appearance of the product. It is a systematic application of techniques to identify the functions of a product or a component and to provide the desired function at the lowest total cost.

These are the days of providing the customer with really best quality products at least cost which is possible through value analysis which proves wrong rightly “Best and Cheap” or “Best is never cheap” or “Cheap is Costly”.

What is Value Analysis?

Before understanding the meaning of phrase “value analysis” or “value engineering”, let us know about value. ‘Value’ is one of those terms having good many connotations and even contradictory definitions.

‘Value’ is a word that is very often used by individuals without being clearly understood. Forget about common people. Even different departments of the same organisation have different opinions of the ‘value’ of the product that the company manufactures.

The designer equates value with reliability; purchase people with price paid for them; production personnel with that of cost from the angle of manufacture; sales people with what customer is willing to pay.

VALUE ANALYSIS AND VALUE ENGINEERING:

‘VA’ and ‘VE’ are closely related terms so much so that many people use them interchangeably. Though the philosophy understanding the two is the same the identification of unnecessary costs yet they are different. The difference lies in the time and stage at which the technique is applied.

“Value Analysis” is the application of a set of techniques to an existing product with a view to improve its value. Thus, it is remedial process. “Value Engineering” is the application of exactly the same set of

techniques to a new product at the design stage project concept or preliminary design when no hardware exists to ensure that bad features not added. Thus, it is a 'preventive' measure. In that sense, 'VE' is fundamental and VA is collateral because 'prevention is better than cure.'

VA/VE APPROACH & MAIN STEPS

According to the principles of "*Techniques of Value Analysis Engineering*" there are different phases of VA/VE:

- Exhaustive accumulation of information and identification and improvement of assumptions.
- Penetrating analysis. What senses of direction does this informative provide us with? What specific problems will, when solved, bring important cost benefits?
- Creative mental activity, in which all judgement is temporarily deferred to form the roots of a variety of different solutions to each of the specific problems developed in the preceding analysis.
- Judgment-type mental activity, in which what results from creative thought is searched for ideas roots to minimize disadvantages and maximize advantages sufficiently to meet the need for cost and/or operation improvement.

During the information phase, the project and its requirements are analyzed, and then the function analysis studies the possible room for improvement. In the creative stage ideas to increase performances are developed: from the resulting list of ideas only a short set is evaluated in order to find the ones with best potential to reach the goal. The following step is development of alternatives and their presentation to decision makers and, eventually, implementation.

VA/VE tools are extremely powerful and fundamental to reach objectives such as decreasing costs, improving quality and shortening time-to-market.

TYPES OF VALUE ANALYSIS

- a. Cost Value
- b. Use/Functional Value
- c. Esteem Value
- d. Exchange Value

⇒ **Cost Value:** It is the cost of manufacturing a product or a component. It is the measure of sum of all costs incurred in producing the product. The cost value therefore is the sum of raw material cost, labour cost, tool cost and overheads expended to produce the product.

⇒ **Use/Functional Value:** It considers the work done, functions performed or services rendered by a product/component. It is the measure of properties, qualities and features which make the product accomplish a use or service. It is the price paid by the buyer (customers view) or the cost incurred by the

manufacturer (manufacturers view) in order to ensure that the product performs its intended functions efficiently.

- ⇒ **Esteem Value:** It is the measure of properties, features, attractiveness, qualities, fancy, packing etc., which increase sales appeal or which attracts persons and creates in them a desire to possess the product.
- ⇒ **Exchange Value:** A product is said to possess exchange value if the same (because its qualities usefulness) can be exchanged for another product or money. Or in other words exchange value refers to the price that customer will offer for the product, the price being dependent upon the satisfaction which he derives from the product.

OBJECTIVES OF VALUE ANALYSIS

1. Saving in Cost
 2. Quality Promotion
 3. Import Substitution
 4. Maximization of the value of product
 5. Elimination of unnecessary processes
 6. New products and product design
 7. Company Image
- **Saving in Cost:** Cost reduction is, without doubt, the primary objective of any business venture. The overall cost of an end product may be reduction by obtaining raw materials or components at higher prices if they reduce the manufacturing cost by a larger margin than the extra prices paid for the raw materials. For instance a manufacturer who was using for fabrication a particular welding rod for many years was persuaded to try another rod superior in quality, but 15 percent higher in price. In the trials it was concluded that the new rod was easier to work with, gave stronger welded joints and made it possible to obtain more welded work to be completed in a given period of time. In actual practice, it was found that despite its higher price, the new welding rod gave an overall net saving of about 10 percent. The manufacturer rightly took the decision to go for the rod.
 - **Quality Promotion:** Value engineering also aims at solving quality problems. Repeated failure or rejection of a part invokes the analysis to be made on it. Reduced rejections result in increased productability, better serviceability. Improved marketability and better margin of profit. Providing a competitive and quality helps in export promotion.
 - **Import Substitution:**-If we manufacture a product in our country and the cost is little more than that of the imported from other country, we can say that the imported product is more beneficial to us. But in reality, it is beneficial as person-wise but as country wise there will be a great loss of foreign exchange. So we would give preference to the product made in our country over the imported one.
 - **Maximization of the value of product:**-By the way of either reducing the cost, or adding to the quality of the product, value analysis tends to add to the value of the product. A higher-valued product always stands a better chance of being sold in the markets.

- **Elimination of Unnecessary costs:**-In many cases it has been observed that the industrial units are using excessive number of processes that are actually required.
- **New products & Product design:**-It is a technique generally undertaken for new products. By the way of this technique, such product design are found which if adopted may lead to the increased sales, and virtually increased profits for the business.
- **Company Image:**-All the above factors, along with others will lead to the improved goodwill of the business in the market. The benefits of higher goodwill generally continue to be enjoyed for long, rather than short period of time. Furthermore, a better-imaged company, in the present business environment, can spread its wings to not only the domestic country but also to the whole world.

VALUE ANALYSIS VERSUS OTHER CONVENTIONAL APPROACHES:

Speaking in terms of “cost reduction” value analysis is an effective tool of cost reduction which differs from established conventional approaches such as industrial engineering, production engineering, methods engineering and the like.

The “traditional” or “conventional” approaches differ from this non- conventional or modern technique of VA as under:

1. Traditional approaches concern “post-production” stage but V.A. can be the ‘pre-production’ as well as “post production stage” technique.
2. Traditional approaches are “methods concerned”. They accept the drawing of the part “as is” and, therefore, set to improve the part through analysis of manufacturing methods, machines, materials, tools, jigs and fixtures and the like.

On the other hand, ‘VA’ does not accept the designed product and its components “as is” but advocates cost reduction through identification of the function and subsequent redesign of the product so as to make it perform its functions at the lowest possible cost.

‘VA’, therefore, challenges the very design specifications, design requirements and the design itself.

3. Traditional methods are mere “cost centered” while VA, in addition to cost improvement, usually seeks to improve quality, reliability, maintainability, safety, performance and alluring features.
4. VA is more potent than traditional cost reduction techniques. Instances can be brought to surface to demonstrate that VA can remove ten to twenty percent of cost after the traditional methods of cost reduction have applied.

Award of warning is essential at this stage, In spite of VA’s better potential and greater effectiveness, it is not a substitute nor is it intended to replace effective cost reduction techniques which have been in use for many years and have proved effective and valuable in their areas of application. What can be said is that VA can augment or strengthen the process of cost reduction and quality improvement.

IMPLEMENTATION PROCEDURE/PHASES OF VALUE ANALYSIS:

The phases of value analysis are:

1. Phase of Origination
2. Phase of Information
3. Phase of Innovation
4. Phase of Evaluation
5. Phase of Choice
6. Phase of Implementation
7. Phase of Review

1. Phase of Origination: In the first phase, a value analysis study team is constituted. The project is selected and clearly defined. The team examines in detail the product and its components to understand thoroughly their nature.

2. Phase of Information: After familiarisation, a functional analysis is carried out to determine the functions and uses of the product and its components. The cost and importance of each function are identified. A value index is calculated on the basis of cost benefit ratio for each function. A list is being prepared in which the items of functions are arranged in decreasing order of value.

3. Phase of Innovation: This is the creative phase concerned with the generation of new alternatives to replace or removing the existing ones.

4. Phase of Evaluation: Each and every alternative is analysed and the most promising alternatives are selected. These alternatives are further examined for economic and technical feasibility.

The alternatives finally selected must be capable of performances the desired functions satisfactorily. These must meet the standards of accuracy, reliability, safety, maintenance and repairs, environmental effects and so on.

5. Phase of Choice: In this phase, report is prepared. This report contains a summary of the study, conclusions and specific proposals. The decision makers choose the alternative. The programs and action places are then developed to implement the chosen alternative.

6. Phase of Implementation: The chosen alternative is put to the actual use with the help of the programs and action plans so developed in advance.

7. Phase of Review: The progress of analysis changes in continuously monitored and followed up in order to provide assistance, to clarify any misconceptions and to ensure that the desired results are achieved.

MERITS OF VALUE ANALYSIS:

Value analysis is really a very valuable technique of cost reduction and quality improvement. The specific merits of are as follows:

1. Improvement in Product Design: It leads to improvements in the product design so that more useful products are given shape. Now in case of ball points, we do not have clogging, there is easy and even flow of ink and rubber pad is surrounding that reduces figures fatigue.

- 2. High Quality is maintained:** High quality implies higher value. Thus, dry cells were leaking; now they are leak proof; they are pen size with same power. Latest is that they are rechargeable.
- 3. Elimination of Wastage:** Value analysis improves the overall efficiency by eliminating the wastages of various types. It was a problem to correct the mistakes. It was done by pasting a paper. Now, pens are there and liquid paper is developed which dries fast and can write back.
- 4. Savings in Costs:** The main aim of value analysis is to cut the unwanted costs by retaining all the features of performance or even bettering the performance. Good deal of research and development has taken place. Now milk, oils, purees pulp can be packed in tetra packing presuming the qualities and the tetra pack is degradable unlike plastic packs.
- 5. Generation of New Ideas and Products:** In case of tooth brushes, those in 1930's were flat and hard, over 60 to 70 years brushes have come making brushing teeth easy, cosy and dozy as it glides and massages gums.
- 6. Encourages Team-Spirit and Morale:** Value analysis is a tool which is not handled by one, but groups or teams and an organisation itself is a team of personnel having specification. A product is the product of all team efforts. Therefore, it fosters team spirit and manures employee morale as they are pulling together for greater success.
- 7. Neglected Areas are brought under Focus:** The organisational areas which need attention and improvement are brought under the spot-light and even the weakest gets a chance of getting stronger and more useful finally join's the main strain.
- 8. Qualification of Intangibles:** The whole process of value analysis is an exercise of converting the intangibles to tangible for decision making purpose. It is really difficult to make decisions on the issues where the things are (variables) not quantifiable.
However, value analysis does it. The decision makers are provided with qualified data and on the basis of decisions are made. Such decisions are bound to be sound.
- 9. Wide Spectrum of Application:** The principles and techniques of value analysis can be applied to all areas-man be purchasing, hardware, products, systems, procedures and so on.
- 10. Building and Improving Company Image:** The company's status or image or personality is built up or improved to a great extent. Improvement in quality and reduction in cost means competitive product and good name in product market; it is a good pay master as sales and profits higher and labour market it enjoys reputation; it capital market, nobody hesitates to invest as it is a quality company.

LIMITATIONS OF VALUE ANALYSIS:

Like any other cost reduction technique, value analysis has its own limitations. The most common limitations are that the man-made excuses are the blocks in implementing these plans of value analysis.

The most common excuses given are:

- a) Lack of motivation
- b) Resistive to change
- c) Inertia
- d) Lack of knowledge and patience
- e) Attitude of 'It will not work in India'
- f) We are very small or very big
- g) This has been tried earlier and failed
- h) The change is too big
- i) 'Let competitors try before we try'
- j) Difficulty of teams meeting or team meeting for getting consensus.

These limitations are man-made and can be over-come one the company divides to implement. However, they should be educated of the plus and minus points and the main beneficiaries are those that are to be told and they are to be taken into confidence.

ERP - ENTERPRISE RESOURCE PLANNING:

INTRODUCTION

Enterprise Resource Planning is used for business management systems which are designed to integrate the data sources and processes of an entire organization into a unified system. **A key element is the use of a single database to store data for the various system modules.**

ERP systems utilize components of both computer software and hardware. Traditionally the software is installed at the customer site, but many companies now offer hosted or 'cloud' ERP solutions to reduce the up-front and technical costs.

DEFINITIONS:

Enterprise Resource Planning An accounting oriented information system for identifying and planning the enterprise-wide resources to make ship and account for customer orders.

“An enterprise planning system is an integrated computer based application used to manage internal and external resources, including tangible assets, financial resources, material and human resources”.

Enterprise resource planning (ERP) is business management software that allows an organization to use a system of integrated applications to manage the business. ERP software integrates all facets of an operation, including development, manufacturing, sales and marketing.

Enterprise Resource Planning (ERP) is defined as an Integrated Computer based planning technique used in Organizations and Enterprises for management and resource planning. Resources here mean both internal and external resources of an organization. Various resources of an organization can include financial resource, tangible resource, human resource and also various material requirements.

ERP can also be defined as an application and software architecture that facilitates Information flows between various business functions inside and outside of an organization. It consolidates business environment into a uniform system environment. Basically what ERP systems do is that it integrates and automates processes within an entire organization regardless of the organization's behaviour.

'ERP is a method for effective planning and control of all resources needed to take, make, ship and account for customer orders in a manufacturing, distribution or service company.'

SIGNIFICANCE OF ERP:

In today's environment ERP plays a significant role in the following things

- Reduction of lead-time
- On-time shipment
- Reduction in Cycle time
- Better customer satisfaction
- Improved supplier Performance
- Increased flexibility
- Reduction in quality Costs
- Improved Resource Utility

MODULES OF ERP:

Organizations are implementing Enterprise Resource Planning system to streamline their internal business process and for smooth flow of data between the different functional departments like inventory, purchase, production, accounts, etc. The different functional modules of the ERP software look after the respective functional department. Some of the functional modules in the ERP are as follows:

1. **Production Planning Module:** The Enterprise Resource Planning system has evolved from Material Resource Planning which was used for the manufacturing requirements of the companies. ERP is more robust software for production planning as it optimizes the utilization of the manufacturing capacity, material resources and the parts using production data and sales forecasting.

2. **Purchasing Module:** This module aids in streamlining the procurement of required raw materials. It is integrated with the inventory control and production planning modules and often with the supply chain management software. This module automates the process of identifying potential suppliers, supplier evaluation. It is used for automation and management of purchasing.
3. **Inventory Control Module:** This module aids in managing the company's resource inventory and the product inventory. It helps in handling the replenishment of the product and maintenance of the stock levels of the products. The inventory control module monitors the inventory stock present at the different locations like at the warehouse, office and stores. The module can manage the inventory of raw materials used for product planning. It enables the company to plan the future production and keep a stock of products which go below critical level.
4. **Sales Modules:** This module automates the sales tasks, customer orders, invoicing and shipping of products. It is integrated with the company's ecommerce websites and many vendors provide with online storefront as a part of this module. The sales department is an important area for the organization.
5. **Accounting and Finance Modules:** Accounting and finance are the core areas of an organization. This module interacts with the other functional modules to collect the financial data for the general ledger and other financial statements of the company.
6. **Human Resource Module:** This can be used as an independent module. It is used for integrating the recruitment process, payroll, training and the performance evaluation process. The module handles the history of the employee, tracks the employees laid off and aids in rehiring of the employees.
7. **Manufacturing Module:** This module includes product designing, bills of material, cost management, workflow, etc.
8. **Marketing Module:** The ERP marketing module supports lead generation and the promotional activities.

In simply ERP are used in various Industries and organizations like manufacturing, distribution, transportation, education, healthcare, banking and others. ERP delivers a single database that contains all data for the various software modules. It typically addresses areas such as:

- 1) **Manufacturing resource planning:** Engineering, bills of materials, scheduling, capacity, workflow management, quality control, cost management, manufacturing process, manufacturing projects and manufacturing flow.
- 2) **Supply chain management:** Order to cash, inventory, order entry, purchasing, product configuration, supply chain planning, supplier scheduling, inspection of goods, claim processing and commission calculation.
- 3) **Financial management:** General ledger, cash management, accounts payable, accounts receivable, fixed assets.
- 4) **Project management:** Billing, time and expense, performance units, activity management.
- 5) **Human resource management:** Human resources, payroll, training, time and attendance, roistering, benefits.



THE DRIVING FORCE BEHIND ERP:

There are two main driving forces behind Enterprise Resource Planning for a business organization.

- In a business sense, Enterprise Resource Planning ensures customer satisfaction, as it leads to business development that is development of new areas, new products and new services.

Also, it allows businesses to face competition for implementing Enterprise Resource Planning, and it ensures efficient processes that push the company into top gear.

- In an IT sense: Most softwares does not meet business needs wholly and the legacy systems today are hard to maintain. In addition, outdated hardware and software is hard to maintain.

Hence, for the above reasons, Enterprise Resource Planning is necessary for management in today's business world. ERP is single software, which tackles problems such as material shortages, customer service, finances management, quality issues and inventory problems. An ERP system can be the dashboard of the modern era managers.

ADVANTAGES/ BENEFITS OF ENTERPRISE RESOURCE PLANNING (ERP):

- (a) Business integration:** The first and the most important advantage lie in the promotion of integration. The reason ERP packages are called integrated is the automatic data up gradation between related business components, since conventional company information systems were aimed at the optimization of independent business functions in business units, almost all were weak in terms of the communication and integration of information that transcended the different business functions in the case of large companies in particular, the timing of system structure and directives differs from each product and department / functions and sometimes they are disconnected.
- For this reason, it has become an obstacle in the shift to new product and business classification. In the case of ERP packages the data of related business functions is also automatically updated at the time a transaction occurs. For this reason, one is able to grasp business details in real time, and carry out various types of management decisions in a timely manner based o that information.
- (b) Flexibility:** The second advantage of ERP packages is their flexibility. Diverse multi-functional environments such as language, currency, accounting standards and so on are covered in one system and functions that comprehensively managed multiple locations that span a company are packaged and can be implemented automatically. To cope with company globalization and system unification, this flexibility is essential, and one could say that it has major advantages, not simply for development and maintenance, but also in terms of management.
- (c) Better analysis and planning capabilities:** Yet another advantage is the boosting of planning type functions. By enabling the comprehensive and unified management of related business and its data, it becomes possible to fully utilize many types of decision support systems and stimulation systems. Furthermore, since it becomes possible to carry out flexibility and in real time the feeling and analysis of data from a variety of dimensions, one is able to give decision makers the information they want, thus enabling them to make better and informed decisions.
- (d) Use of latest technology:** The fourth advantage is the utilization of latest developments in information technology (IT). The ERP vendors were very quick to realize that in order to grow and to sustain that growth: they have to embrace the latest developments in the field of information technology. So they quickly adopted their systems to take advantages of the latest technologies like open systems, client server technology, internet/ intranet, computer aided acquisition and logistics support, electronic commerce etc. It is this quick adaptation to the latest changes in information technology that makes the

flexible adaptation to changes to future business environments possible. It is this flexibility that makes the incorporation of the latest technology possible during the system customization, maintenance and expansion phases.

- (e) **Reduced inventory and inventory carrying cost:** The manufacturing nature of many ERP users makes the issue of process and material costs savings paramount. The main factor behind these savings is that implementation of the ERP system allows customers to obtain information on cost, revenues and margins, which allow it to better, manage its overall material cost structure. This ability to manage costs is best seen in savings that organizations can obtain in their inventory systems. Customers can perform a more complete inventory planning and status checking with the ERP system.

These checks and plans reveal existing surpluses or shortages in supplies. Improved planning and scheduling practices typically lead to inventory reductions to the order of 20 per cent or better. This provides not only a one time reduction in assets (cost of the material stocked), but also provides ongoing savings of the inventory carrying costs. The cost of carrying inventory includes not only interest but also the costs of warehousing, handling, obsolescence, insurance, taxes, damage and shrinkage.

- (f) **Reduced manpower cost:** Improved manufacturing practices lead to fewer shortages and interruptions and to less rework and overtime. Typical labor savings from a successful ERP system are a 10 per cent reduction in direct and indirect labor costs. By minimizing rush jobs and parts shortages, less time is needed for expediting, material handling, extra setups, disruptions and tracking splits lots odd jobs that have been set aside. Production supervisors have better visibility of required work and can adjust capacity or loads to meet schedules. Supervisors have more time for managing, directing and training people. Production personnel have more time to develop better methods and improve quality.

- (g) **Reduced material costs:** Improves procurement practices lead to better vendor negotiations for prices, typically resulting in cost reductions of 5 per cent or better. Valid schedules permit purchasing people to focus on vendor negotiations and quality improvements rather than spending their time on shortages and getting material at premium prices. ERP systems provide negotiation information, such as projected material requirements by commodity group and vendor performance statistics. Giving suppliers better visibility of future requirements help them achieve efficiencies that can be passed on as lower material costs.

- (h) **Improves sales and customer service:** Improved coordination of sales and production leads to better customer service and increased sales. Improvements in managing customer contacts, making and meeting delivery promises, and shorter order to ship lead times, lead to higher customer satisfaction, goodwill and repeat orders. Sales people can focus on selling instead of verifying or apologizing for late deliveries. In custom product environment, configurations can be quickly identified and prices, often by sales personnel or even the customer rather than the technical staff.

Taken together, these improvements in customer service can lead to fewer lost sales and actual increase in sales, typically 10 per cent or more. ERP systems also provide the ability to react to changes in demand and to diagnose delivery problems. Corrective actions can be taken early such as determining

shipment priorities, notifying customers of changes to promise delivery dates, or altering production schedules to satisfy demand.

- (i) **Efficient financial management:** Improves collection procedures can reduce the number of days of outstanding receivables, thereby providing additional available cash. Underlying these improvements is fast, accurate invoice creation directly from shipment transactions, timely customer statements and follows through on delinquent accounts. Credit checking during order entry and improved handling of customer inquires further reduces the number of problem accounts. Improved credit management and receivable practices typically reduce the days of outstanding receivables by 18 per cent or better. Trade credit can also be maximized by taking advantage by supplier discounts and cash planning, and paying only those invoices with matching recipients. This can lead to lower requirements for cash-on-hand.

The benefits from ERP come in three different forms i.e. in the short-term, medium-term and long-term. When initially implemented, in a year of the organization going live with ERP, it helps in streamlining the operational areas such as purchase, production, inventory control, finance and accounts, maintenance, quality control, sales and distribution, etc. This benefit is in form of 'automating

SUPPLY CHAIN MANAGEMENT (SCM)

INTRODUCTION

If you go to a Supermarket and pick up a few items of the shelf from electronics and white goods or even clothes and look at the labels, chances are that you will find them having been manufactured in China or Mexico. The coffee pods you buy to use for your everyday use comes from Africa. Computers have been shipped out of South American Factories and Soft furnishings on the shelves are from India and Hong Kong. Global markets are expanding beyond borders and re-defining the way demand and supplies are managed. Global companies are driven by markets across continents. In order to keep the cost of manufacturing down, they are forced to keep looking to set up production centres where cost of raw materials and labor is cheap. Sourcing of raw materials and vendors to supply the right quality, quantity and at right price calls for dynamic procurement strategy spanning across countries.

With the above scenario you find companies procuring materials globally from various vendors to supply raw materials to their factories situated in different continents. The finished goods out of these different factory locations then pass through different chains of distribution network involving warehouses, exports to different countries or local markets, distributors, retailers and finally to the end customer.

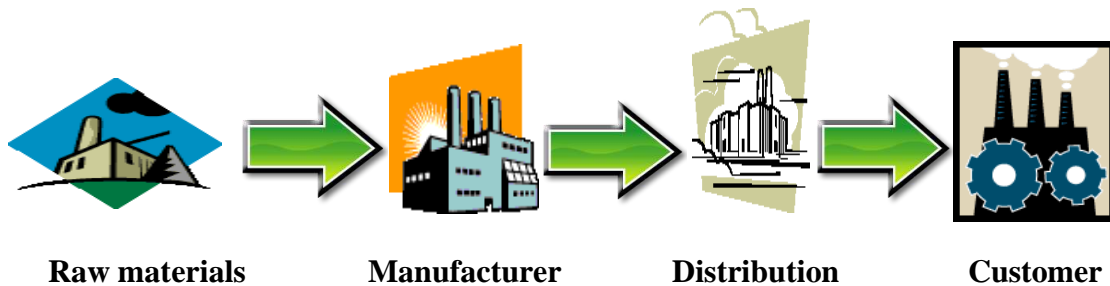
DEFINITIONS:

SCM is the management of a network of all business processes and activities involving procurement of raw materials, manufacturing and distribution management of Finished Goods. SCM is also called the art of management of providing the Right Product, At the Right Time, Right Place and at the Right Cost to the Customer.

Supply Chain definition is the movement of materials as they flow from their source to the end customer. Supply Chain includes purchasing, manufacturing, warehousing, transportation, customer service; demand planning, supply planning and Supply Chain management. It is made up of the people, activities, information and resources involved in moving a product from its supplier to customer.

The management of the movement of goods and flow of information between an organization and its suppliers and customers, to achieve strategic advantage. Supply chain management covers the processes of managing materials, physical distribution, purchasing, information, and logistics.

Example of a Supply Chain



SUPPLY CHAIN BENEFITS:

Experience shows that the benefits of a well designed and implemented Supply Chain Management strategy is substantial. Successfully implemented projects have provided benefits such as:

- ❖ Reduction of Transportation, Warehousing, and Distribution Costs
- ❖ Lean Processing from Supplier to Customer
- ❖ Reduced Direct and Indirect Labor Costs
- ❖ Optimized Stock Levels
- ❖ Increased Material Flow Velocity
- ❖ Accurate Job Costing and Scheduling
- ❖ Streamlined Purchasing Control
- ❖ Increased Decision Making Speed and Responsiveness to Demand Change
- ❖ Increased Customer Service
- ❖ Increased Inventory Availability, Customer Order Fill Rates, Accuracies and Services
- ❖ Reduced Operations Support Costs
- ❖ Reduced Inventory Carrying Costs
- ❖ Improved Productivity of Procurement Operations
- ❖ Improved Quality of Products and Service

SUPPLY CHAIN CHALLENGES:

- ❖ Customer Trading Rules
- ❖ Supplier Trading Rules
- ❖ Inventory Service Level Balance

- ❖ Multiple Sales Channels
- ❖ New Geographic Markets
- ❖ New Product Offerings
- ❖ Postponement
- ❖ Supplier Proliferation
- ❖ Customization and Personalization
- ❖ Uninterrupted Materials Visibility
- ❖ Transportation Shortages
- ❖ Regulatory Compliance
- ❖ Fuel Volatility