A complete class notes
Of
Organization and Management
(BEG497EC)

B.E
Electronics & communication
VII Semester

Syllabus:

ORGANIZATION AND MANAGEMENT BEG497EC

Year: IV   **Semester: I**

Teaching Schedule Hour/week			Examination Scheme				
Theory	Tutorial	Practical	Internal Assessment		Final		Total
2	-	-	Theory	Practical*	Theory**	Practical	50
			10	-	40	-	

*Continuous
**Duration:1.5 hours
Course Objective: The objective of this course is to make ath students understand and analyze the professional environment where they have to practice their profession.

1. **Introduction**   **(3 hours)**
   1.1   Organization and Management.
   1.2   Functions an roles of management.
2. **Organization**   **(4 hours)**
   2.1   Organization and its characteristics
   2.2   Formal and informal organization.
   2.3   Organization chart and types of organization.
3. **Leadership and Motivation**   **(8 hours)**
   3.1   Motivation and incentives.
   3.2   Theories of motivation.
   3.3   Leadership styles.
   3.4   Management by objectives.
   3.5   Management by exception.
4. **Personnel Management**   **(8 hours)**
   4.1   Functions of Personnel management.
   4.2   Job analysis and description.
   4.3   Recruitment and promotion.
   4.4   Performance appraisal.
   4.5   Wages and methods of wage payment.
   4.6   Upgrading and Training.

5. **Industrial Relations**   **(7 hours)**
   5.1   Necessity of relationship.
   5.2   Trade union and Trade union movement in Nepal
   5.3   Collective bargaining.
   5.4   Health, safety and compensation.
   5.5   Arbitration.

References:
   1. Essential of Management by Harold Koontz and Heinz Weihrich.
   2. Organization and Mangemtn in Nepal by Govinda Ram Agrawal.
   3. Personnel Management By C.B. Mamoria.
   4. The Economics of Development and Planning by M.L.Jhingan.
   5. Modern Economic Theory by K.K Dwett.

Chapter one and Two

Management: Meaning and definition

Management is an important input resource to achieve desired goals of any organization. It is a dynamic force or element to integrate all other input resources like men, money materials etc. It is a social human function directed at desired goal accomplishment. It has existed even since man has been organized into communication.

There are probably as many definition of management as there are books on the subject. The various definitions indicate difference in emphasis and scope of management. Some useful definition is as follows:

F.W.Taylor: Management is knowing exactly what you want people to do, and then seeing that they do it is the best and the cheapest way.

Henry Fayol: To manage is to forecast and plan, to organize, to command, to coordinate and control.

M.P.Follet: Management is the art of getting things done through the people.

Stoner and others: Management is the process of planning organizing leading, and controlling the work of organization members and using all organizational resources to reach stated organization goals.

Delenzo & Robbins: Management is the process of efficiently getting activities completed with and through other people .The management process includes the planning organizing leading, and controlling activities that take place to accomplish objective.

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

Summarization the above definition we can define management in the following works:

Management is the human get of getting the job done through and with people by using the process of planning organizing staffing, directing and controlling resources to achieve organizational goals efficiently and effectively in a dynamic environment.

L.J.Curret & M. silver: Management is the practice of determining what has to be done and accomplishing this goal in the best fashion through other people.

L.K.Keith & C.E.Gubellini: Management is the process of getting things done through people.

Characteristics of Management

Process: Management of a systematic process of dong things. It is engaged in certain inter related activities to achieve the desired goals. Planning, organising, leading and controlling functions of management are interrelated

Goal –oriented: management is always goal-oriented. It always deals with accomplishment of the goals of the organisation.. Each level of management works for this goal can be profit, survival, growth, service, market share, leadership.

Social process: management is a social process as it involves the utilisation of human resources. Thus it works through and with people to get the job done. It is also a group activity because management requires group or joint effort of the people.

Efficiency and Effectiveness: efficiency is getting things right and effectiveness is doing the right things. Management get the job done effectively and efficiently to best utilise resource and there by to meet goals.

Dynamic Environment: management operates in a dynamic environment. It adopts to changing environment for goal accomplishment. The major forces in the environment are the political & legal economic, socio-cultural, and technological.

Other characteristics of management

1. Management is integrating in nature acts purposefully coordinates different input resource as work on different functions of ………….and department.

2. Management is both science and art.

3. Management is a profession.

4. The principles of management are of universally application- applicable to all kinds of organisation at all levels.

5. Management is situation based.

6. Management is a unifying force.

7. Management is multidisplinary

8. Management is intangible.

Function of management

There is no complete agreement among writers on management on what functions should we included in management process. Managerial function has not been defined with sufficient degree of precision. However, the major functions of management can be described as below:

- Planning: It is on the process of thinking before doing. It means the determination of what is to be done, how where it is to be done, who is to do it and how results are to be evaluated. Planning as a managerial function is setting goals and deciding how best to achieve them. Planning is predetermining future. It discovers alternatives. It is

always time bound. It is the way of life. Manager must plan. Other management functions are based on planning. It has primary in management functions.

- Organizing: It is the process of dividing work into convenient task or duties to carry out plans. It is deciding how best to group organizational activities and resources. It is essential for performing staffing, directing and controlling functions. Organizing is then, differentiating and coordinating activities to carry out predetermined plan. It involves:
  - ➢ Defining task required to achieve goal
  - ➢ Grouping the task in development
  - ➢ Designing the structure
  - ➢ Establishing authority and responsibility for each position
  - ➢ Coordinating tasks to achieve harmony of efforts
  - ➢ Creating channels of communication

- Staffing: It is hiring and assigning people to carry out tasks. Staffing is filling and keeping filled positions in the organization structure. The positions are matched with skills. It is the human resources function of management. It involves the followings:
  - ➢ Manpower planning to determine employees requirement
  - ➢ Preparation of an inventory of existing people
  - ➢ Job analysis to determine job description and job specification
  - ➢ Acquiring, developing, utilizing and maintaining people
  - ➢ Transfer, promotion, termination and layoffs

- Directing: It is getting people to work together. Directing is communicating, leading and motivating people to perform task for goal achievement. It is concerned with interpersonal aspect of managing. It consists of communication, leadership and motivation. Communication is the process of exchanging message in an organization. It can be oral, written or symbolic. It can take the form of upward, downward, horizontal and diagonal. Leadership is the process of guiding and influencing the work of subordinates to willingly and enthusiastically contribute towards goals. It requires follower ship. Motivation is inducement to contribute toward goal achievement. It can be monetary as well as non monetary.

- Controlling: It is monitoring, comparing, and correcting organizational performance toward goal achievement. It measures and corrects performance to achieve planned target. It is a cyclical process. This process includes:
  - ➢ Establishing standards (what should be done)
  - ➢ Measuring actual performance (what really was done)
  - ➢ Finding and analyzing deviations (how much and why difference)
  - ➢ Taking corrective actions

- Other functions:
  - ➢ Coordination is the process of linking together the activities of various departments and people to achieve unity of action and harmonization of efforts for goal fulfillment

- Decision making is the process of identifying and selecting a course of action to solve specific problem
- Supervision is overseeing the performance of tasks of employees
- Innovation, reporting, budgeting

Managerial roles

Managerial roles refer to the expected behavior pattern of the managers. They are related to an identiable positions in the organization. Managerial roles are based on the activities they performed. In his book "The Nature of Managerial Work", Henry Mitzberg described ten different roles and classified into the following three basic categories:

- Interpersonal roles: This refers to the interpersonal relationship. Managers assume these roles to develop good human relations. It helps to coordinate employees' activities. In interpersonal role, managers develop contacts and build relationship with people inside and outside the organization. Such relationships can be formal or informal.

  The various interpersonal roles are as follow:
  - Figurehead role: It deals with ceremonial and symbolic activities such as greetings, taking visitors to dinner, attending ribbon-cutting ceremonies, chairing board meeting etc.
  - Leader role: It deals with leadership, motivation and human resource management. This is essential to the management of people and performance of activities. A manager should formally or informally show subordinates how to do things and how to perform under pressure.
  - Liaison role: It deals with activities for maintaining contact and relation with outside organizations and with community. In this role, managers serve as a coordinator or link between people, groups and organization. It is a public relation role of manager.

- Informational role: These refer to tasks necessary to obtain and transmit information to the user. Managers receive information from outside and inside the organization. The various informational roles are as follows
  - Monitor role: It deals with information gathering that is of value to the organization. In this role, a manager actively seeks information that may be of value. The manager attempts to be well informed as much as possible.
  - Disseminator role: It deals with transmission of information to those in the work place. When the roles of monitor and disseminator are viewed together, the manager emerges as a vital link in the organization's chain of communication
  - Spokesperson role: It deals with transmission of information outside the organization. It focuses on external communication. Manager acts as spokesperson of the organization.

- Decisional roles: They refer to decision making to solve problems. These roles are well acted on the basis of informational roles. Such roles emerge from day to day activities. The various decisional roles are as follows:
  - Entrepreneurial role: It deals with risk taking and experimentation. It is concerned with planning and initiating change within the organization. In this

role, manager acts as the voluntary initiator of change.

- ➢ Disturbance handler role: It deals with maintaining congenial working environment in the organization. In this role, managers take corrective actions for unexpected disturbance like strikes, natural disaster, and copyrights infringements, energy shortages. Managers respond to crisis situation.
- ➢ Resource allocator role: It deals with managerial functions of allocating resources to different units and subordinates. As resource allocator, the manager decides how resources are distributed and with whom he or she works most closely. Resources can be human, gwnical, and physical, informational.
- ➢ Negotiator role: It deals with negotiation inside or outside the organization. In this role, manager enters into negotiations with other groups or organizations as a representative of the organization. Manger may negotiate a union contract, an agreement with a consultant or a long-term relationship with suppliers.

The above roles are inter-connected. These roles should be performed consistently. Mangers may be engaged in different role activities simultaneously.

Importance of management

Management is essential to all organized efforts. It is a critical element in the success of any organization. Urwick and Brech have highlighted the importance of management in the following words. "No ideology, no "ism", no political theory can win a greater output with less effort from a given complex of human and material resources; only sound management can." Likewise, in the words of P.F. Drucker-the father of modern management, "there are no underdeveloped countries, there are under managed countries". According to Kulin Clark, "the low rate of economic growth of underdeveloped counties is not due to dearth of capital, but it is due to the dearth of the managerial talents."

Management is important due to following reasons:

- ➢ Effective acquisition and utilization of resources: Human, financial, physical and informational resources are important for organization. These resources can be presented in the form of 8 Ms: men, money, machine, methods, materials, markets, moment and management. Management stands at the top of all these Ms. Management performs effective acquisition, effective utilization and proper coordinates of organizational resources.
- ➢ Environmental adaptation: Organizations are influenced by environment. Environment keeps changing. Management is also a dynamic activity. So, it adapts organization to such changing environment forces. It does SWOT (strength, weakness, opportunities, and threats) analysis for environmental adaptation. It manages change and innovation.
- ➢ Goal achievement: management is always goal-oriented. It achieves organizational goals by balancing the requirement of jobs and people. It performs the functions of planning, organizing, staffing, directing and controlling to achieve goals. They serve as the means for achieving goals.
- ➢ Problem solving: Management solves problems occurring in organizations. It identifies, analyzes and evaluates

various alternatives and selects right courses of action for problem solving. It also implements decision.

- ➤ Performance control: Management sets performance targets. It measures and evaluates the actual performance. It also takes corrective actions to correct deviations.
- ➤ Social responsibilities: Management responds to social needs. It anticipates and proacts to social expectations. It keeps the organization socially responsible.
- ➤ Other importance:
  - ❖ It integrates various functions and interests.
  - ❖ It provides stability and innovation
  - ❖ It is a tool of personality development.

Managerial hierarchy \ Levels of management

The term managerial hierarchy stands for the arranged managerial positions in the organization. It is also an important principle of management. The hierarchy in the organization runs in order of rank from top management to the lowest level of management. It tells about the line of authority in an organization. The hierarchy is always of pyramidal shape. Its upper parts go narrower to the narrowest and lower part, the most flattened. Each level or position in the hierarchy has a distinct level of authority and responsibility.

Types or levels of managers/management

I. On the basis of level:

- ❖ Top mangers: They are also known as executive manager or simply executives and work at upper level of manager hierarchy. Top mangers are composed of a comparatively small group of people. They are the people at top management level. They are responsible for the overall management of the organization. They formulate operating policies and guide the whole employees of the organization towards the accomplishment of organizational goals. They facilitate interactions with dynamic environment. Typical title or job mangers are CEO, President, Vice president, MD, GM, and DGM.

The major functions of top managers are as follows:

- ➤ To determine overall organizational objectives, policies, strategy.
- ➤ To set up appropriate organizational structure.
- ➤ To appoint key manager at middle and lower level.
- ➤ To develop master plan in functional areas.
- ➤ To mobilize input resources of the organization
- ➤ To provide overall leadership and management
- ➤ To exercise overall effective control in the organization.
- ➤ To officially represent the organization to the external environment by meeting government official, executives of other organizations.

- ❖ Middle mangers: They lie between top and lower managers. They work at middle or tactical level of management. They work at more than one level in an organization. Middle management probably occupies the largest group of manager in most organization. They are subordinates to top mangers. On the other hand they are superior to lower level managers and direct the activities of lower-level management, and sometimes those of operating employees as well. Middle manger principle tasks and responsibilities are to direct the activities that implement their organizational policies and balance the demand of their mangers with capacities of their

employees. They execute plans and policies formulated by top management. Common middle manger title is plant manger, operation manager, divisional head, plant superintendent, and departmental manager.

Functions of middle manager

- To play the role of linking pin between top and lower managers
- To implement strategy, policies and plans formulated by top managers
- To prepare departmental plans, assign duties and responsibilities for implementation
- To set operational goal
- To maintain interdepartmental coordination
- To appoint supervision staff
- To supervise and control the activities of lower mangers.
- To provide suggestion and make recommendation for performance improvement

❖ Lower manager: They are also known as operating/ first-line/ front-line or supervisory managers. The lowest level it the organization at which individuals are responsible for carrying out day-to-day activities is called management and employees working at this level is called lower mangers. They work within various units or work groups. They hold entry-level management portion. They are subordinates to middle mangers. They direct non-management employees. They do not supervise other mangers. They supervise and coordinate the activities of operating employees only. Common titles for lower mangers are supervisor, unit head, etc.

Function of lower managers

- To implement operational plans
- To prepare day-to-day work schedule for operating employees
- To supervise and control operative staffs
- To create conducive working environment
- To maintain discipline
- To make arrangement for machinery tools, etc and ensure right maintenance
- To report performance and problems of operative staffs to middle mangers.

II. On the basis of function

Another major classification of managers depends on the function/scope of activities they perform. According to Stoner and others, there are two types of mangers under this category:

- Functional mangers: the functional manager is responsible for only one functional area, such as production, marketing, finance, etc. These mangers are functional specialists
- General Manager: The general manger oversees a complex unit, such as a company, a subsidiary, or an independent operating division. He is responsible for all activities of that unit, such as its production, marketing, finance, etc. a small company may have only one GM, but a large organization may have several. Each will head a relatively independent division.

III. On the basis of legitimate power

- Line manager: Managers who are directly in the chain of command are called line managers. They are directly responsible for achieving organizational goal. They enjoy legitimate power. They can make decisions in their

respective field of activities. Functional managers are examples.

- Staff managers: Managers who provide expertise, advice and support for line mangers are called staff mangers. They do not belong to formal chain of command. They assist line managers in legal and financial matters.

Organization

Meaning

Organization is the foundation upon which the whole structure of management is built. It is the backbone of management. Organizations are human associations. They are established to achieve goals. They have structure and technology. They operate in a dynamic environment. An organization can be stated as the formal associations of two or more people to accomplish a given objectives.

Chester I. Bernard: organization is a system of consciously coordinated activities of two or more persons

Mooney and Reiley: Organization is the form of every human association for the attainment of common purpose.

Amitai Etzioni: Organization is planned units, deliberately structured for the purpose of attaining specific goals.

Robins: An organization is a consciously coordinated social unit composed of two or more people those functions on a relatively continuous basis to achieve a common goal or set of goals.

Griffin: Organization is a group of people working together in a structured and coordinated fashion to achieve a set of goals.

Characteristics /features of organization

- There should be two or more people and perform various function
- Organizations are goal oriented. They are created to achieve common goals.
- Organizations have continuity. They tend to stay alive.
- Organizations use technology to transform inputs into outputs. Technology refers to knowledge and skills required to perform tasks.
- Organizations have structures. Structures define jobs and relationship. It implies differentiation of activities and integration of efforts.
- Organizations are open system, and consists of several sub-system
- Organizations are of many types: business, government, service, unions, international, political, cultural, etc.
- Organizations have several level- top, middle, lower as well as differentiated functions
- An Organization is managed by its leader

Formal organization

Formal organization is a type of organization, which is deliberately created by management to accomplish goals. It is defined by organizational structure. It is shown in organizational chart. It is based on; division of work among members; clearly defined superior-subordinate relationships and; communication channels based on scalar principle. According to Koontz and Weitirich: Formal organization means the intentional structure of roles in a formally organized enterprise.

Characteristics of formal organization

- It is deliberately created by management
- It is created to accomplish predetermined goals

- It is based on division of work and job specialization
- Authority-responsibility of every position is clearly defined
- Communication channel is through scalar chain
- Members are guided by formal policies, plans, rules and procedures.
- It has long life in terms of continuity
- Much emphasis is placed on efficiency, discipline, conformity, consistency and control
- It is slow in adapting in environmental changes.

Informal organization

It is not define by organizational structure. It is the result of human associations at work place. It emerges spontaneously. It results from proximity, personal interactions, sentiments and social activities. Informal groups represent informal organization. According to Keith Davis: Informal organization is a network of personal and social relation not established or required by the formal organization but arising spontaneously as people associate with one another. According to Chester Barnard: Informal organization is any joint personal activity without conscious joint purpose, although contributing to joint results.

Characteristics of informal organization
- It is unplanned and spontaneous.
- It is based on common interest, attitude and work related needs.
- It results from human interactions or social relationship.
- It has no written plans, policies, rules and procedures.

- It is guided by customs, conventions culture, group norms, values and belief.
- Its membership is voluntary
- It quickly adapt the environmental change
- It has tendency to resist changes within the group.
- The communication is through grapevine or informal channel.
- It coexists with the formal organization
- Its primary focus is person
- It has informal system of reward and punishment
- Its goals are not well-defined and consistent
- Power in informal organization is given by group members rather than delegated by manager
- They do not have well defined tasks; nor they divided and subdivided
- The relationship is interpersonal not impersonal

Advantages of informal organization
- Provides sense of belonging and security to members
- Acts as a safety valve for emotional problems
- Members get help on the job from one another
- Serves as an important channel of communication
- Social control through group norms is possible
- Authority of members can be kept under check
- Reduces need for close supervision by management
- Employees reaction about proposed managerial actions can be known in advance

Disadvantage of informal organizations
- Resistance to change
- Rumor spreading

➢ Interference on management decision

Reasons for emergence or need for informal organization
  ➢ To fulfill social security, affiliation, esteem, etc.
  ➢ To work in close proximity with group.
  ➢ To share view with people with similar social, cultural, economic, etc. composition
  ➢ To interacts with others.

Organization structure

Organization structure is the framework for creating specific pattern of relationship in the organization for achieves goals. According to Stoner and Other "organizational structure is the way in which an organization's activities are divided, organized and coordinated". Organizational structure, is thus, a frame work that manages device for dividing and coordinating the activities or members or an organization

Types of organization structure

I. Line organization

In Line organization structure, authority flows from top to bottom level step by step in the organization hierarchy in a more or less straight vertical line. It is a line organization because authority flows through a direct line top to down. It is based on the scalar principle, and it is called scalar structure. The major characteristics are as follows:
  ❖ There is direct and fixed line of authority between superior and subordinate
  ❖ Authority flows from top to down in the organizational hierarchy
  ❖ It entitles a manager to direct the work of subordinates
  ❖ Unity of command pervade because one employee has only one boss.

A typical line organization is shown in the following figure
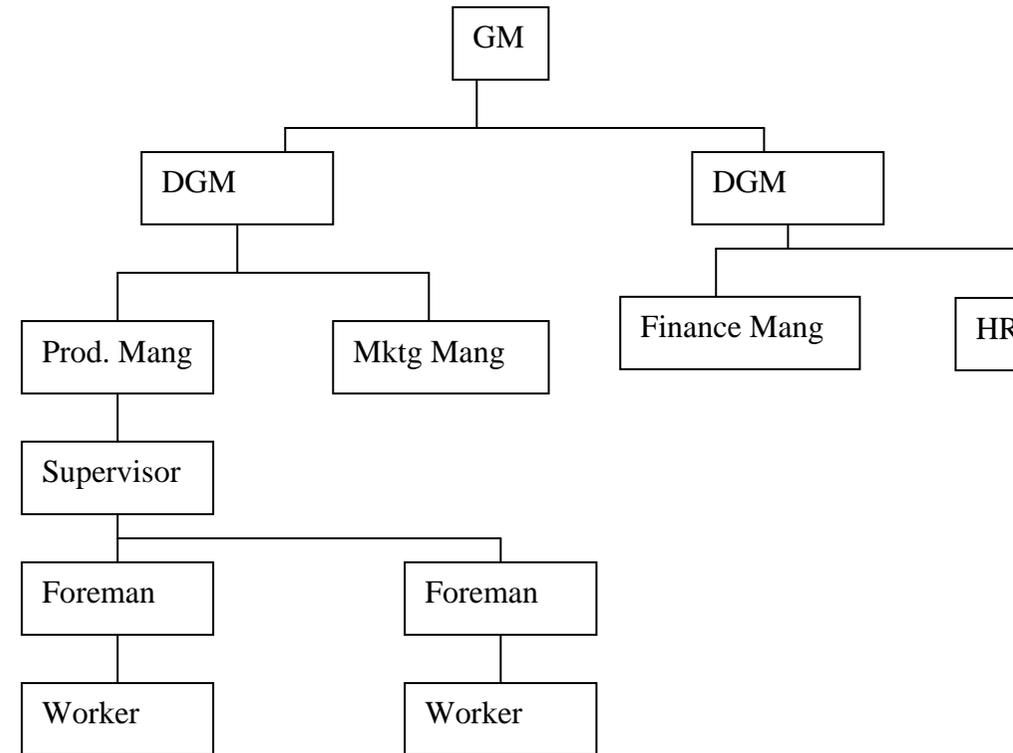
Merits
  ❖ Simple to design and easy to understand
  ❖ Authority-responsibility relationships are clear and definite
  ❖ Unity of command prevad
  ❖ Managers can make prompt decision within the limits of their authority
  ❖ This structure is less expensive because staff specialists are not required

- ❖ More flexible such environment change
- ❖ Easy to fix responsibility to each staff

Demerits
- ❖ Tends to be rigid and inflexible
- ❖ Centralization of authority at the top can lead to autocratic behavior
- ❖ Superiors are overburdened with diverse jobs
- ❖ Nepotism and favoritism prevail due to control of activities
- ❖ Generally one way communication from top to bottom
- ❖ Lack of expert advice can lead to waste of resources
- ❖ Sub optimization emerges because every department works for its own interests.

Line organization is also called military organization because it is widely used in military organization. It is the oldest form of organization structure

II. Line and staff organization

Line and staff organization is characterized by both line and staff position. A line portion is a position in the direct chain of command that is responsible for the achievement of an organization's goal. Line functions directly contribute to goal accomplishment. It contains the power to make and execute decision. A staff position is intended to provide expertise, advice and support for line positions. Staff functions contribute indirectly to goal accomplishment. Members with staff authority are purely advisory. They do not have decision-making power. Their advice is not binding on line members. Legal advisor and others advisors to the prime minister are examples. Major characteristics of line and staff organization are as follows:
- ❖ It combines both line and staff positions. The line position hold decision making power whereas staff position hold advisory power
- ❖ Staff specialists think and line manager acts
- ❖ It provides balance of work to line members

A typical line and staff organization is shown in the following figure
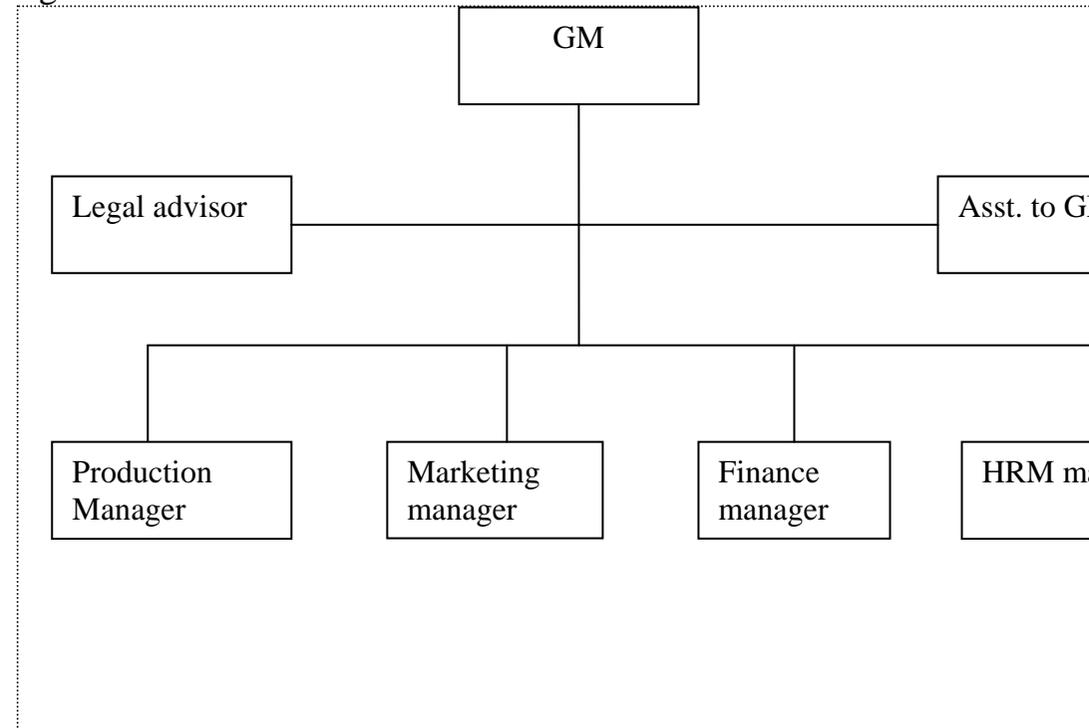
Merits
- ❖ Staff specialists provide expert advice and services
- ❖ Decision making becomes more effective and specialized
- ❖ It is based upon planned specialization

- ❖ Staff experts do not disturb the scalar chain of command and authority. So discipline and stability can be maintained
- ❖ Work load can be balance because staff members take care of information collection and detailed job analysis
- ❖ Staff specialists can be added to the line structure when necessary
- ❖ Staff specialists provide opportunities for development and advancement to line members as the expert advice help to improve performance

Demerits
- ❖ Staff members tend to interfere with line authority to get their advice implemented
- ❖ Lack of coordination between line and staff members way lead to confusion
- ❖ Line members may become over dependent on staff members for decision making
- ❖ Staff members may lack practical knowledge
- ❖ Expensive because two sets of employees are needed
- ❖ Greater chance of conflict, rivalry and jealousy
- ❖ Misunderstanding and misinterpretation could pervade

III. Functional organization

Organizations are often described as a set of functions. A function, in this sense, is a collection of similar activities in an organization such as marketing, finance, etc. Functional organization brings together in one department everyone engaged in one activity or several related activities. Thus a functional organization, in which everyone engaged in one functional activity such as marketing or finance, is grouped into one unit. F. W. Taylor-father of scientific management-originally developed the concept of functional structure. Every manager concentrates on a particular function. It, thus, focuses on specialization. It is most commonly used by small size organization. A typical functional organization is shown in the following figure
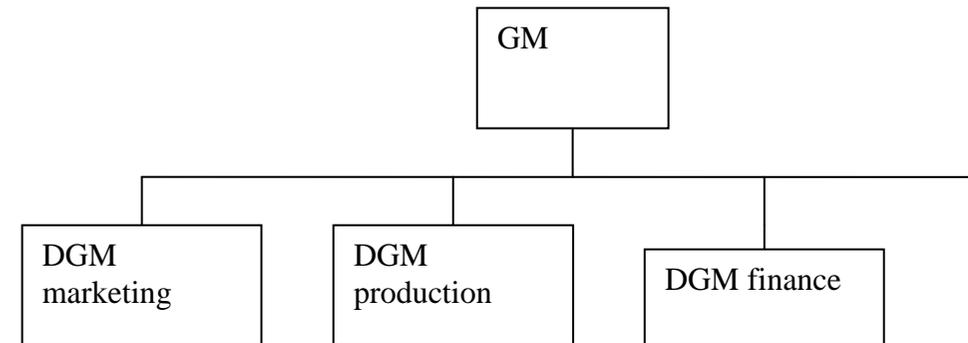
Characteristics of functional organization
- ❖ Organizational members are grouped into functional departments
- ❖ It focuses on specialization as every manger concentrates on a particular function
- ❖ It focuses only on organizational functions such as marketing, finance, rather than the basic managerial functions such as planning or controlling
- ❖ A subordinate refers to multiple bossed for different functions

Merits
- ❖ It facilitates work specialization
- ❖ It allows coordination within function

- Specialists mangers increase efficiency
- It makes supervision easier since each manager must be expert in only a narrow range of skills
- Makes easier to mobilize specialized skills and bring them to bear where they are most needed
- Facilitates career progression within functional areas
- Overburden of work is reduced

Demerits
- It can be difficult to get quick decision because functional manager has to report to top authority
- It is often harder to determine accountability and judge performance because a subordinate is related to his functions in all department
- This structure violets the principle of unity of command
- It is more complicated in operation
- It provides poor coordination across functional departments
- There can be self-centered narrow departmental focus

Coordination or coordinating

Coordination is major element of organization. It achieves unity of action and harmonization of efforts of people and department to achieve goals. It is the essence of all management functions. It is the responsibility of all managerial levels. Coordinating can be described as the process of linking together the activities of various department and people to achieve unity of action and harmonization of efforts for the accomplishment of organizational goals

Stoner and Others: Coordination is the integration of the activities of the separate parts of an organization to accomplish organizational goals

W. H. Newman: Coordination deals with synchronization and unifying the actions of a group of people towards common objectives.

Features/nature of coordination
- Coordination is an ongoing continuous process. It is a dynamic concept
- It is a conscious and deliberate effort
- It a pervasive function as it is performed at all levels of management
- It provides unity of action for harmonization of efforts to achieve goals
- It is goal-oriented; it aims achieving overall organizational goals
- Cooperation and voluntary
- It integrates activities of individuals and department
- It is a complement, even a counter balance, to the division of work and job specialization
- It can also occur among people working at different organizations.

Responsibility and authority

Responsibility means the obligation of a subordinate to obey orders. It is a subordinates' obligation to whom a duty has been assigned to perform the duty. It is performing of assigned job. Its essence is then obligation. It arises from the superior-subordinate relationship. It is person specific. The person assumes it. It arises from the fact that someone has the authority to require specified

service from another person. It may be a continuing obligation or it may be discharged by a single action

Jo Lo Massie: Responsibility refers to the obligation or duty of a person to act

S. P. Robbins: Responsibility is the obligation to perform delegated duties and task

Characteristics of responsibility

- ❖ It is an obligation to perform job
- ❖ It arises from superior-subordinate relationship
- ❖ It is person-specific
- ❖ It is assumed and cannot be delegated
- ❖ It flows upward in the hierarchy
- ❖ It is commensurate with authority
- ❖ It can be continuing or one-shot obligation

Authority

Authority is a form of power. It is the rights to give order or decide. It is assigned to positions and department. It is legitimate power. It is the right to influence the actions of subordinates to achieve goals.

Henry Fayol" Authority is the right to give orders and power to exact obedience

H. A. Simon: Authority may be defined as the power to make decisions, which guide the actions of another.

Features/characteristics of authority

- ❖ It is the legitimate right to give orders
- ❖ It is the right to make decisions and use research
- ❖ It can be delegated to subordinates. It can be added, reduced and withdrawn

- ❖ It is related with the portion in the organizational hierarchy
- ❖ It is specified in the job description of employee
- ❖ It is maximum at the top level and minimum at the bottom level of management
- ❖ Use of the authority is determined by personality factor of the possessor
- ❖ Use of authority may control the negative aspects or behavior
- ❖ Authority can be line authority, staff authority or functional authority
- ❖ It is goal oriented

Difference between authority and responsibility

Bases	Authority	Responsibility
Meaning	It is a legitimate power to give order.	It is an obligation to obey order
Nature	It is position-specific.	
Flow	It flows downward: maximum at top and minimum at bottom	It is person-specific. It flows upward.
Delegation	It can be delegated; added, reduced and withdrawn.	It cannot be delegated. It cannot be greater than authority.
Life span		
Accountability	It is continuous with position	It comes to end after job performance
Source	Accountability arises after use of authority	It has implied accountability for satisfactory performance of job

|	Its source is law of contract, acceptance by subordinates.	Its source is superior-subordinate relationship. It commensurate with authority

Organization chart

An organization chart means the pattern of network of relations between various positions in organization as well as between the persons who hold those positions.

Ivem Cerich and Others: An organizational chart shows jobs and departments and is the most tangible depiction of organizational structure. The solid lines connecting the positions indicate reporting relationships and channels of communication
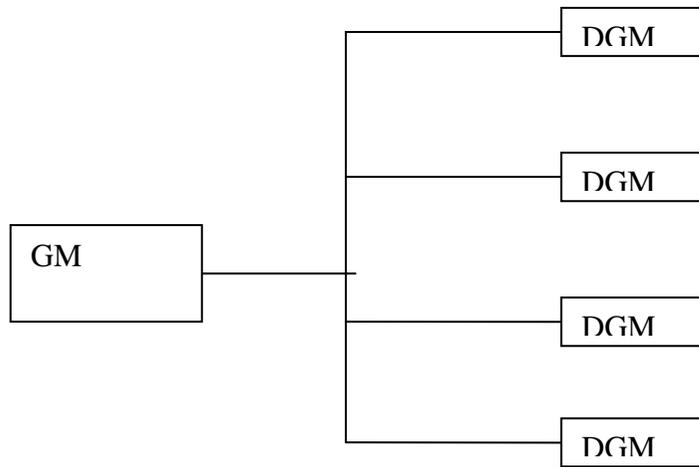
G. R. Terry: Organizational chart is a chat in a diagrammatical form which shows important aspects of an organization including the major functions and their respective relationship, the channel of supervision, and the relative authority of each employee who is in charge of respective function.

Form/types of organization chart

I. Top –Down chart: Here, major functions are at the top with subordinate functions in successive lower portions. It is widely used. It is simple to use and understand.
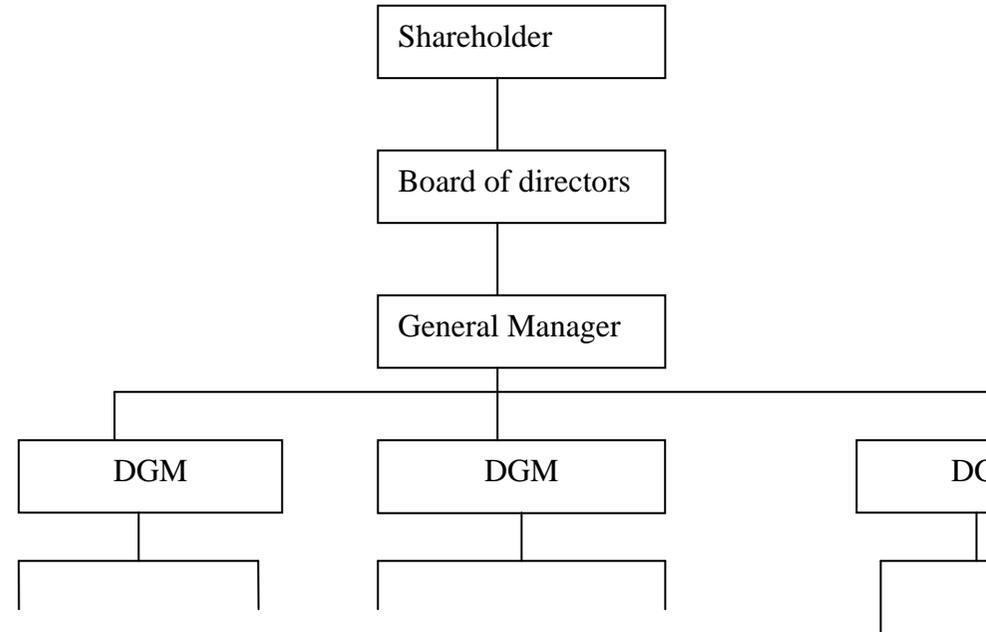
II. Left to right/horizontal chart: Here, the highest positions are put at the left and those decreasing authority moves towards the right

III. Circular chart: Here, the highest position is put at the center and other positions are clustered around it. Positions of less authority are more distinct from it.

Motivation
Meaning

The term motive is derived from Latin word "MOVERE" which means to move. Thus, motivation literally means to act or move. It is an inner impulse that includes a person to act on a desired way. It is a set of forces that cause people to behave in a certain way. In organizational setting, motivation means to make an employee act in a desired and favorable manner. It is the act or stimulating someone or oneself to get a desired course of action.
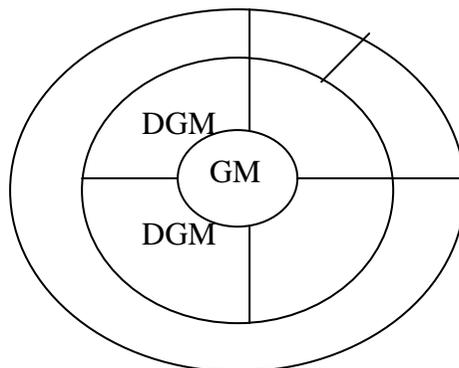
Usher and others: Motivation is a human psychology characteristic that contributes to a person's degree of commitment. It includes the factors that cause channel, and sustain human behavior in a particular committed direction.

Luthans: Motivation is a process that stands with a physiological or psychological deficiency or need that activates behavior or a drive that is aimed at goal or incentive.

Characteristics/ nature of motivation

➤ Motivation is a pervasive function. It is performed by employees at all level
➤ It is always goal oriented. It involves effort to achieve goals
➤ It is a psychological process. It is concerned with individual's needs, motives, drives and other internal status.
➤ It is complex and unpredictable due to the presence of individuals difference
➤ It is concerned with total individuals not the part of individual
➤ It is situational because motivation differs person to person and time to time
➤ It can be positive or negative. Positive motivation is rewarding whereas negative motivation is based on punishment

> It can be intrinsic (self-generated) or extrinsic (generated by external incentives)
> It is a continuous process

Theory of motivation

  I. Maslow's hierarchy of needs
  II. Herzberg's hygener factors and motivation
  III. Alderfer's ERG theory
  IV. Meclelland's theory of learned needs
  V. Theory X and theory Y

Maslow's hierarchy of needs

It is simply known as need hierarchy theory. A. H. Maslow-a human relationist, developed hierarchy of needs theory. He argued that people are motivated to satisfy their needs. His theory suggests that people must satisfy five group of needs in order-physiological, security, social, esteem and self actualization. These needs can be arranged in a hierarchy from basic lower needs to higher level needs as shown in the following figure. A person progresses step-by-step up this hierarchy.

Social needs

Lower order needs

Needs

Physiological needs

Lower order needs
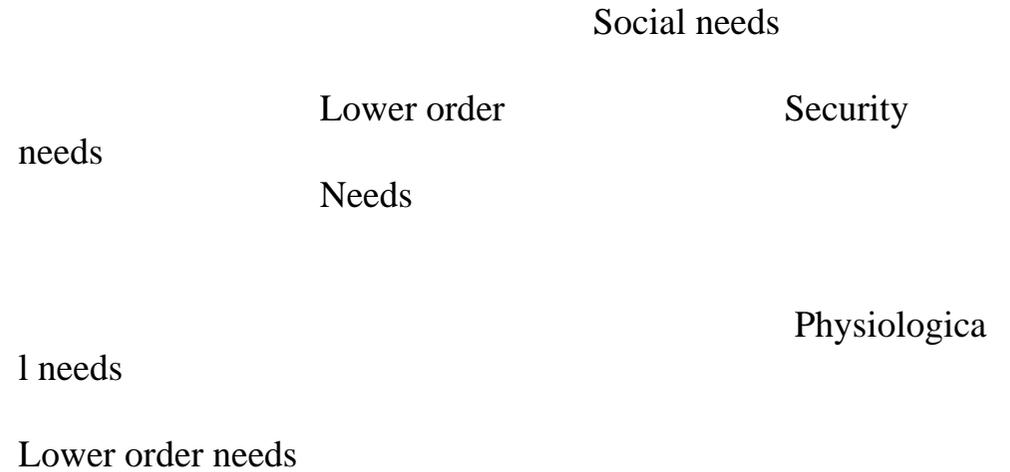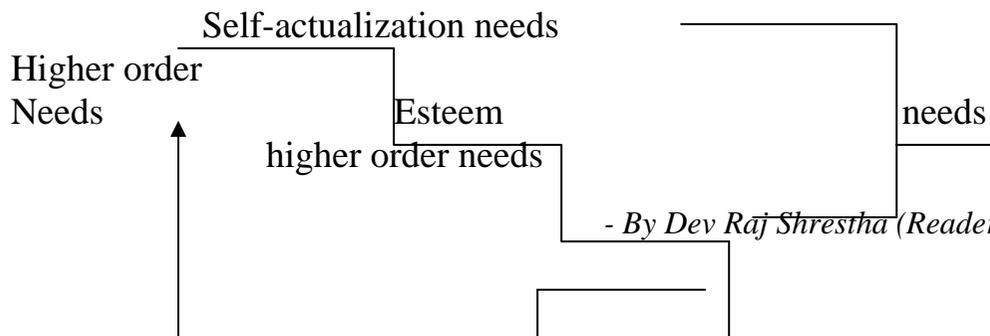
Maslow's theory of motivation is based on the following two assumptions:

> Each person's needs depend on what he already has. Only needs not yet satisfied can influence behavior. A satisfied need cannot influence behavior.
> Needs are arranged in a hierarchy of importance. Once the need is satisfied, another emerges and demand satisfaction

• Physiological needs: They are basic biological or physical needs. This category consists of the basic needs of human body such as food, water, sex clothing, sleep, and shelter. They represent basic issue of survival and biological function. They will dominate when all needs are unsatisfied. They lie at the bottom of hierarchy. In organization, adequate wages and work environment

Self-actualization needs

Higher order Needs

Esteem needs

higher order needs

itself-restroom, adequate lighting, comfortable temperature, ventilation, etc generally satisfy these needs.

- Security/safety needs: They include protection from physical and emotional harm. Examples include the desire for housing and clothing and the needs to be free from worry about money and job security. In organization, these needs can be satisfied in the workplace by job continuity, adequate insurance, retirement benefits grievance system etc.
- Social needs: Also called belonging needs, social needs are related to the social nature of people and their need for companionship. Dissatisfaction in this level of needs may affect the mental health of individual. Example includes need for affection, belongingness, friendship, and social acceptance. These needs are satisfied for most people by family and community relationship outside the work and friendship on the job. In organization, a manager can help to satisfy these needs by allowing social interaction, by making employees feel like part of a team, by providing supportive supervision practice.
- Esteem/ego needs: They comprise both the awareness of one's importance to others (self-esteem) and the actual esteem of others. Examples include the need for a positive self-image and self-respect; need for recognition and respect from others; need for autonomy and achievement. In organization, a manager satisfies these needs by providing a variety of extrinsic symbols of accomplishment such as job title, and similar rewards as appropriate. At a more intrinsic level, the manager can provide a more challenging job assignment and opportunity for the employees to feel a sense of accomplishment
- Self-actualization needs: Maslow defines these needs as the "desire to become more and more what one is, to become everything one is capable of becoming". The satisfaction of these needs enables the individual to realize fully the potentialities of his talent and capabilities. They can be satisfied only after the satisfaction of all needs. So they lie at top of the hierarchy. They are perhaps the most difficult for the manger to address. Examples include needs for growth; self-development; creativity; talent utilization; self-fulfillment. In organization, manger can help employees to satisfy self-actualization needs by encouraging creativity, allowing risk-taking, decision making, and supporting workers in their efforts to their skills.

Maslow suggests that five needs category constitute a hierarchy. Individual moves up the hierarchy until the individual reaches the self-actualization level. This theory has certain intuitive logic and has been accepted by many mangers. They believe theory to be accurate, concise and informative. It is simple, practical, and easy to understand. It provides useful guide for understanding motivation.

However, there is little evidence to support the claim of this theory. Research has failed to support a need hierarchy explanation. People from different culture are likely to have different need category and hierarchies.

Herzberg's hygene factors and motivation theory
This theory is also called two factor theory/motivation maintenance theories. Fredrick Herzberg advanced this theory. It

is based on a study of the job attitudes of zoo engineers and accountants. He asked them to recall occasions when they haven satisfied with their work and highly motivated; and occasions when they have been dissatisfied and unmotivated.

He found that two different sets of factors were associated with satisfaction and with dissatisfaction; and termed the two-factor theory. This theory states that work satisfaction and dissatisfaction arise from two different sets of factors. He termed these factors as hygiene factor and motivation factor.

- Hygiene factors: They are also called dissatisfiers. They are extrinsic factors. They are related to job context and environment. They include salary, working conditions, company policies, interpersonal relation, security, company administration, technical supervision, and status. The presence of these factors eliminates job satisfaction. They do not motivate. It is necessary to maintain minimum level of need satisfaction. So they are also called maintenance factors.
- Motivation factors: They are also called satisfiers. They are intrinsic factors. They are related to job content. Motivating factors include achievement, recognition, advancement, work itself responsibility, growth. The presence of these factors causes job satisfaction but their absence does not lead to job dissatisfaction. These factors motivate.

According to Herzberg, the absence of hygiene factors may dissatisfy employees but their presence does not cause strong motivation. Similarly, the presence of motivation factors may cause high level of motivation and job satisfaction, but their absence may not prove highly dissatisfying.

Based on these findings, Herzberg argues that there are two stage in the process of motivating employees. First, manger must ensure that the hygiene factors are not deficient. Pay and security must be acceptable, working condition must be safe, technical supervision must be acceptable and so on. By providing hygiene factors at an appropriate level, managers do not stimulate motivation but merely ensure that employees are not dissatisfied. Second, managers must give employees the opportunity to experience motivation factors such as achievement, recognition and so on.

This theory is widely accepted by many mangers. It encouraged the growth of job enrichment programs. Howver, Herzberg's two factor theory is not without its critics.

- ❖ One criticism is that the findings in Herzberg's initial interview are subject to different explanations
- ❖ His sample was not representative of general population
- ❖ Situational factors are ignored

Comparison of Maslow's and Herzberg's theories
Both theories are based on needs. Maslow described needs. Herzberg described two factors that make a person satisfied or dissatisfied.

Difference between Maslow's and Herberg's theories

Bases	Maslow's Theory	Hezberg's Theory

Hierarchy of needs	It has need hierarchy. Higher order needs become operational after the satisfaction of lower order needs.	It has no need hierarchy. All needs are operational at all times.
Motivator	Unsatisfied needs motivate	Only higher order needs motivate
Nature		It is prescriptive
View	It is descriptive	It is a micro view relevant to related motivation of professional workers
	It is a macro view relevant to all workers	

ERG theory

Clayton Alderfer proposed this theory. He has proposed an alternative hierarchy of needs called ERG theory of motivation. The letter E, R and G stand for existence, relatedness and growth. This theory collapse the need hierarchy developed by Maslow into three levels.

❖ Existence needs: They correspond to the physiological and security needs. They represent Maslow's fundamental needs.
❖ Relatedness needs: They focus on how people relate to their social environment. They represent needs for interpersonal relations. In Maslow's hierarchy, they would encompass both the need to belong and the need to earn esteem of others.

❖ Growth needs: They include needs for self esteem, self-actualization, personal creativity or productive influence. They are the highest level needs in Alderfer's schema.

The ERG theory is relatively new compared with Maslow's need hierarchy. Research suggests that it may be a more valid account of motivation in organization. The main conclusions of the theory are:

❖ There is no rigid need hierarchy. More than one need can be operative at the same time. Even all three needs could be operating at the same time. Examples: people can be motivated by desire for money (existence), friendship (relatedness), and opportunity to learn new skills (growth).
❖ This theory also contains a frustration-regression dimension/element. If a need remains unsatisfied the individual become frustrated, regress to a lower need, and begins to pursue those things again.

Difference between Maslow's theory and ERG theory

Bases	Need hierarchy theory	ERG theory

Need levels	It has 5 different levels of needs	It has only 3 level of needs
Motivation cause	At one point of time only one level of need can cause motivation	More than one level of needs can cause motivation at the same time.
Frustration/regression element	It is missing. Individuals will remain at one level of needs until achieving satisfaction	If needs remain unsatisfied, the individual becomes frustrated and regresses to lower level needs.
Movement	Maslow saw people moving steady up the hierarchy of needs.	Alderfer saw people moving up and down the hierarchy of needs from time to time and from situation to situation.

McClelland's theory of needs

David C. McClelland-a psychologist developed this theory. He focused on three specific individuals needs that are important in organizations.

❖ Need for achievement (nAch): It is the desire to accomplish a goal or task more effectively than in the past. People with a high need for achievement have a desire to assure personal responsibility, desire to do difficult task, solve difficult problems, desire for specific and immediate feedback, and take calculated risk to meet goals.

❖ Need for power (nPow): It deals with the degree of control a person desire over his situation. It is the desire be influential in group and to control one's environment. This need can be related to how people deal with failure and success. Research has shown that people with a strong need for power are likely to be superior performers.

❖ Need for affiliation (nAff): It is a desire to establish and maintain warm relationships with others. Like Maslow's belongingness need, the need for affiliation is desire for human companion and acceptance. People with strong need for affiliation are likely to prefer and perform better in job that enact a lot of social interaction and offer opportunity to make friends.

Managers acquire the above needs through experience over time. Managers have high achievement and power needs. This theory highlights the importance of matching the individual and the job. Employees with high achievement needs prefer challenging, satisfying, stimulating and complex work. Employees with low achievement needs prefer situations of stability, security and predictability. Although this theory provides useful insights into factors that cause motivation, it facts to shed much light on the process of motivation. It does not explain why people might be motivated by one factor rather than another at a given level or how people might go about trying to satisfy the different needs.

Theory X and theory Y

Douglas McGregar propounded this theory. It is based on assumptions managers make about people in organizations. He called these two assumptions theory XZ and theory Y

Theory X

This theory is the traditional approach towards works and workers. Under this theory, 4 assumptions are held by the manager:
- ❖ Employees inherently dislike work and whenever possible will attempt to avoid it
- ❖ Since employees dislike work, they must be coerced, controlled or threatened with punishment to achieve desired goals
- ❖ Employees will shirk responsibilities and seek formal direction wherever possible
- ❖ Most workers place security above all factors associated with work and display little ambition

Theory Y

It is a more positive view toward works and workers. Under this theory, the managers hold 4 assumptions:
- ❖ Employees view work as being as natural as rest or play
- ❖ Employees will exercise self-direction and self-control if they are committed to the objectives
- ❖ The average person can learn to accept even seek responsibility
- ❖ Creativity is widely dispersed throughout the population

Theory X assumes that lower-order needs dominate individuals and theory Y, higher order needs. McGregor himself held to the belief that theory Y assumptions were more valid than theory X. Theory Y emphasize democratic style of management. Unfortunately, there is no evidence to confirm that either set of assumptions are valid.

Characteristics of good leadership or leader

- ❖ Clear sense of purpose: Leaders must have clear sense about the purpose of the organization of what it wants to achieve
- ❖ Good judgment: Leaders must be able to make good judgment on any issue. This needs maturity of mind
- ❖ Self-knowledge: Leaders must have the ability to be aware of their own strength and weakness
- ❖ Objectivity: Leader should be impartial in reaching conclusion irrespective of caste, color or status
- ❖ Adoptability: It is the ability of leader to adapt quickly to new situation. He must has ability to adjust to changing situations
- ❖ Cooperativeness: Leader should be able to work well with others and faster team work to achieve goals
- ❖ Initiative: Leader should be a self-starter and should overcome obstacle to achieve organizational goals
- ❖ Desire for learning: Leader should be able to continue his own professional development, learning about his own organization and developing the skills necessary
- ❖ Integrity: This refers to the leader's ability to be honest, trustworthy and fair in implementing organizational policies and decisions
- ❖ Emotional maturity: Leaders should have ability to acknowledge the importance of individuals and their opinion
- ❖ Others:
  - The leader should have a sense of responsibility
  - A leader should be a good listener to subordinates
  - A leader should have an attitude of flexibility
  - A leader should have intellectual capacity and technical competence

- A leader should be able to integrate and inspire
- Physical and nervous energy; friendliness and affection; stability of behavior; managerial ability; moral qualities; paternalism.

Leadership

Organizational success very much depends upon the quality of leadership. It is basically involved with initiating action. Leadership is guiding and influencing people to achieve goals willingly and enthusiastically in a given situation. It involves determining the course, giving orders and instructions, and providing supervision.

Keith Davis: Leadership is the ability to persuade others to seek defined objectives enthusiastically.

James Stoner: Leadership is the process of directing and influencing the task-related activities of group members.

Robert Kreitner: Leadership is a social influence process in which the leader seek the voluntary participation of subordinated in the effort to reach organizational objectives

Nature/characteristics of leadership

- ❖ Influence is the core of leadership. Leaders influence followers through power, reasons, assertiveness, friendliness, bargaining, inspiration, motivation
- ❖ Leadership influences people to willingly and enthusiastically common goals
- ❖ Leader, follower and situation are three basic element of leadership
- ❖ It is a continuous process. It involves continuous guiding, influencing, communicating and problem solving

- ❖ Leaders have authority to direct and influence followers. But followers do not have authority to direct the leader.

Leadership style

- ❖ Autocratic style: This leadership style is leader centered and is also called authoritarian/dictatorial style. Under this style, power and decision making are centralized in the leader. The autocratic leaders rule with unlimited authority. Its feature are :
  - Leaders make all decisions
  - Leaders have position based authority
  - Leaders give reward and punishment as they like.
  - Information is controlled by leaders
  - Useful in emergency and factor floor situation
- ❖ Democratic style: It is group centered and is known as participative or consultative style. Under this style, power and decision making is decentralized. Discussion, consultation and participation are encouraged. Its features are:
  - Leaders consult with subordinates about decision
  - Authority and responsibility are delegated
  - Influence flows both ways, from leader to follower and from follower to leader
  - Performance based reward and punishment are used with emphasis on results
  - Information is shared between leaders and subordinates
  - Useful in team work
- ❖ Free rein style: It is individual centered and is also known as laissez-faire style. Under this style, power and decision

making is entrusted to the subordinates. Subordinates have complete freedom of choice and can do as they like. Free-rein leaders allow subordinates to decide and do not intervene. Its feature are:

- Leaders use very little power and control. They serve as information center
- Subordinates have decentralized authority and responsibility. They have high degree of independence in decision making
- Subordinates own goal. Their potential is effectively utilized
- Useful in research oriented job

Management by exception

One of the most important ways of toile ring control to the needs for efficiency and effectiveness is to make sure that they are designed to point up exception. In other words, by concentrating on exceptions from planned performance, managers can use controls based on the time-honored exception principle to detect those areas that require their attention.

According to this, management should pay attention only to exceptional cases where established standards, policies and procedures cannot be followed. This principle says two things. First, managers should not overload themselves with routine and respective type of work. They should be selective and keep time available for exceptional or critical issues, which need their attention. Second, the mangers should make big decision first. Being overloaded with petty decision, may mean neglect of more important ones or what has been called "postponing decision until they become unnecessary". In short management by exception means selectivity in work and priority in decisions

Management by objectives

MBO is a process through which specific goals are set collaboratively for the organization as a whole and every unit and individual within it. Here, superiors and subordinates mangers jointly set goals. Each individual's major area of responsibilities in term of expected of results are defined. Peter F. Drucker is generally credited with being first individual who wrote about it. General Electric appears to be the first organization that implemented MBO.

Drucker: MBO is regarded as a system for improving performance, both of individual manager and enterprise as a whole by setting of goals at the corporate, departmental and individual manager's level

Robert Krether: MBO is a comprehensive management system based on measurable and participatively set objective

Stephen P. Robbins: A program that encompasses specific goals participatively set for an explicit time period with feedback on goal purpose.

Elements of MBO

Most MBO program share the following six elements

- ❖ At every organization level, manager's commitment to achieving personal and organizational goals and to the MBO process is required for an effective program
- ❖ Effective program should start with the top managers who determine the organizational strategy and set preliminary goals
- ❖ In an effective MBO program, each manager and staff member should have clearly defined job responsibilities and objectives

- There should be greater participation of both managers and employees in the setting of goals
- There should be autonomy in the implementation plan
- Managers and employees should periodically meet to review progress toward the objective

Steps in MBO process

There can be considerable variation in the way that MBO is practiced in different organization. Yet most viable MBO process includes the following six steps:

- Develop overall organizational goal
- Establish specific goals for various department, subunits and individuals
- Formulate action plans to reach particular goals
- Implement and maintain self-control
- Review progress periodically
- Appraise performance

Benefits of MBO

- It results in greatly improved management
- It forces manager to clarify organizational roles and structures
- It encourages people to commit themselves to their goal personally
- It also aids in developing effective control

Weakness of MBO

- Managers may not understand and appreciate good deal about MBO
- MBO cannot work if those who are expected to set goals are not given needed guideline.

- Managers set goal for short term, seldom for more than a year and often for a quarter or less
- Mangers often hesitate to change objective
- Truly verifiable goals are difficult to set

Chapter Four

Personnel management

It is a tradition approach to managing people in organization. It focuses on personal administration, compensation employee welfare and relations. It is discipline control oriented. It is concerned with compliance of policies and rules.

Delenno and Robins: Personal management is the traditional functional responsible for the management of human resources.

U.K. Institute of Personal Management: Personal management is an integral part of management concerned with people at work and their relationship within an enterprise.

Michael Jucious: Personal management is that field of management which has to do with planning, organizing, and controlling various operative functions of procuring, developing, maintaining and utilizing labor force to achieve organizational objective.

Objectives of personnel management
- ❖ To ensure that organizations get the right type of people, in right quantity, at right time and places
- ❖ To best utilize organizational manpower
- ❖ To create and maintain an organizational climate conducive to the development of people
- ❖ To establish desirable working relationship among the members of employees
- ❖ To maintain a high morale be ensuring the development of highly effective work Group.

Functions of personnel management

Personnel function is concerned with the procurement, development, compensation, integration and maintenance of the personnel of an organization for the purpose of achieving organizational goals. The various functions of personnel management are as follows:
- ❖ Acquisition function: The prime function of PM is to ensure that it has the right number and kind of people, at the right places and time. These people work to accomplish goals of the organization. This function includes recruitment, selection, socialization, job analysis etc.
- ❖ Development function: This function ensures proper competencies of employees to handle jobs. The need for development function arises because competent employee will not remain competent forever and employee would be minimally qualified upon entering the organization. The major development functions of PM are employee training, management development and career development.
- ❖ Utilization function: This function is concerned with using people productively. It ensures willingness of employees for increasing productivity by doing jobs effectively. The major utilization function of PM includes motivation, performance appraisal, and compensation management.
- ❖ Maintenance function: This function ensures retention of competent employees in organization. It is concerned with providing those working conditions that employed believes are necessary in order to maintain their commitment to the organization. The major maintenance function of PM is employee discipline, labor relations and employee welfare.
- ❖ Job analysis: Job analysis is the process of determining the task that makes up the job. It is the procedure through which the duties for different positions are determined. It also tells about the characteristics of people who should be hired for them. It determines the skills; abilities and responsibilities that are required of an individual to successfully accomplish the job. W. French: Job analysis is the systematic investigation of job content, the physical circumstances in which the job is carried out and the qualifications needed to carry out job responsibilities. Job analysis has three components; job description, job specification and job performance standards

- ➢ Job description: It is a written statement of what the jobholder does. It provides information about job content, job environment and conditions of employment. It is a profile of the job. It is an overall summary of job requirements. There is no standard format in writing a job description
  - Job identification, job title, level of job
  - Location of job (department/physical location)
  - Relationship with others
  - Job summary
  - Duties and responsibilities
  - Authority and accountability
  - Working conditions
  - Machine and material used
- ➢ Job specification: It states personal characteristics and qualifications needed to perform the job. It shows what kind of person to be recruited. It identifies knowledge, skills and abilities needed to do jobs effectively. It is a profile of human characteristics need for performing the job. It is an overall summary of worker requirements. Job specification provides following information:
  - Education and training
  - Experience
  - Physical health
  - Skills
  - Communication, computer and driving, etc
  - Abilities (physical and mental)
  - Maturity (capacity to assume responsibilities)

- ➢ Job performance standards: These lay down standards for each job in terms of quantity and quality. Standards should be SMART. (specific, measurable, achievable, realistic and time-bounded)

Recruitment

It is concerned finding right people for right positions at the right time. It is an acquition function of personnel management. Recruitment is the process of findings qualified people and encouraging them to apply for work with the organization. The quality of personnel very much depends on the quality of recruits.

E.W. Flippo: Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs.

Recruitment process.

It contains two activities or steps as stated below

I. Locating sources of recruitment: This step identifies sources of qualified candidates. They can be internal (within the organization) or external (outside the organization). Promotions and transfer serve as important sources for internal recruitment. The major external sources are advertising, employment agencies, labor market, etc.

II. Attracting qualified candidates: This step encourages candidates to apply for the jobs. A pool of qualified candidates is developed. The pool of candidate may be internal or external.

Factors affecting recruitment:

- ❖ Size of organization: A large organization will find itself recruiting potential applicants much more often tan smaller organization
- ❖ Employment conditions in the community: Employment conditions in the community where the organization is located will influence how much recruiting takes place
- ❖ Working conditions: Poor working conditions lead to more turnovers of employees. This demands frequent recruitment efforts
- ❖ Salary and benefits offered: Salary and benefits offered by the organization also influence turnover of workers. This also influences the need for future recruiting.
- ❖ Growth factor: Organization that are not growing or that are actually declining will find little to recruit. On the other hand, organizations that are growing rapidly will find recruitment major personnel functions.
- ❖ Other factors:
  - Quality and nature of employees in relation to their ability to meet changing needs of the organization
  - Decisions to upgrade the quality of product or services or enter inot new markets
  - Financial resources available
  - Technological and administrative changes resulting in increased productivity
  - Legislation barring discrimination
  - Image of the organization

Sources of recruitment
The two sources of recruitment are internal and external.

Internal sources: It involves recruiting within the organization. It is also called internal recruiting. It considers present employees as candidates for opening of higher-level jobs in the organization
Merits of internal sources
- ❖ Possibility of better selection is high
- ❖ Builds higher level of employee morale
- ❖ Less time is needed for employees to adapt to new work environment
- ❖ Less costly than external recruitment
- ❖ Employees feel secure which increase their loyalty and commitment
- ❖ It encourages good ambitious individuals.

Demerits of internal sources
- ❖ Limits the choice to internal sources only
- ❖ Most internal; recruitment are based on seniority but not on merit
- ❖ The morale of employees can be adversely affected by limited opportunities for internal recruitment
- ❖ Favoritism may take place
- ❖ Management becomes stagnant owing to the lack of new ideas, knowledge and enthusiasms

External sources: It involves recruiting from outside the organization. It is also called external recruitment. It gets people outside the organization to apply for jobs. The major external sources are advertising, employment agencies, labor market, referral, professional organization, etc.
Merits of external sources
- ❖ Management has greater choice

- ❖ Facilitates inflow of new idea, knowledge and skills
- ❖ Increases adoptability to external changes
- ❖ Balances human resources mix
- ❖ Fairness in recruitment is possible

Demerits of external sources
- ❖ Very costly and time consuming
- ❖ Adversely affects the morale of current employees
- ❖ More time will be needed to new employees to adopt to new work environment
- ❖ May result in wrong selection of employees.

Methods of recruitment

Internal methods of recruitment: The common methods used for internal recruitment are as follows:
- ❖ Job posting: It involves announcing job openings to all current employees. Vacancies are announced in bulletin board; in-house news sellers; newspaper; circulars; e-mails etc.
- ❖ Employee's referrals: This is nomination by superiors. It is a word of mouth recruitment
- ❖ Human resource inventory search: It is a search of skills inventory currently employed in the organization. It tells management what individuals can do

External methods of recruitment: The common methods are:
- ❖ Advertising: This is widely used method. Its media can be newspaper (print media); billboard or poster (visual media); radio (audio media); or television, cinema (audio-visual media). Advertising can be want ads or blind box ads.
- ❖ Employment agencies/exchange: They can be operated by the government; by nonprofit organization, or by privately owned agencies. Management consulting firms are used for recruiting senior managerial level
- ❖ Educational institutional placement: Many educational institutions operate placement services. Prospective employees can directly recruit graduates or graduates-to-be for entry level positions
- ❖ Employee referrals: Current employees recommend their friends and relatives from outside the organization for hard-to-find job skills.
- ❖ Walk-ins: They are job seekers who make direct application at the office
- ❖ Write-ins: They send written enquiries in search of job.
- ❖ Cyberspace: Prospective candidates send their bio-data through internet
- ❖ Trade unions: They serve as job referrals for recruitment of semi-skilled workers
- ❖ Other external methods: Labor contractors; older workers; retired personnel; etc.

Performance appraisal

Performance appraisal is systematic formal appraisal of an employee's performance on the job and his potential for assuming future responsibilities. It assesses the relative worth of each employee

Edwin B.Flippo: PA is a systematic, periodic and so far as humanly possible an impartial rating of employee's excellence in

matters pertaining to his present job and to his potentialities for a better job.

Dale S. Beach: PA is the systematic evaluation of individuals with respect to their performance on the job and their potential for development

PA has many names such as personnel appraisal, performance rating, employee performance review, performance evaluation, performance management, employee evaluation and merit rating.

Performance appraisal methods:

I. Job standard-oriented method: It is based on absolute standards. They can be of the following types:

- ❖ Essay method or free form: Here the rater writes a narrative essay describing an employee's (a) strength and weakness; (b) job performance during appraisal period; (c) technical effectiveness; (d) leadership ability; (e) promotional potential; (f) training and development needs; (g) suggestions for improvement. This essay is based on qualitative impression on the rater.
- ❖ Checklist method: Here, a list of behavior is developed and the rater checks off. It is widely used by government office. It can be simple or weighted.
    - o Simple checklist: It is a list of descriptive statement of employee behavior and characteristics. The rater checks off yes or no behavior that apply to the employee.
    - o Weighted checklist: The statement in the simple checklist is weighted by assigning points according to importance.
- ❖ Forced choice method: The rater is forced to choose between two or more statements that are most or least

descriptive of the employee being appraised. It consists of special type of checklist. Checklists items are arranged in-groups.

- ❖ Critical incident method: This method focuses on job performance. This consists of written description of effective or ineffective worker behavior related to performance in critical situations. Such situations are called incidents. The supervisors record such incidents. The critical incidents are analyzed to evaluate employees' performance.
- ❖ Rating scale method (graphic rating method): It is the most widely used method of performance appraisal. The rater provides a subjective evaluation of an employee's performance and traits along a scale. The following factors can be evaluated- quality and quantity of work, job knowledge, attendance, loyalty, dependability, honesty, integrity, attitude, etc. A printed form is generally used for evaluation.
- ❖ Behaviorally anchored rating scale: This method is a combination of critical incident method and rating scale method. Here, the rating scale is anchored with critical incidents to make the evaluation job specific.

II. Comparison-oriented methods: They are based on relative standards. They can be:

- ❖ Individual ranking: The evaluator lists the employees in a rank order from highest to lowest on the basis of overall performance. Only one employee can be best or worst.
- ❖ Group under ranking: The evaluator places employees in particular classification such as top 20%, second 20%, bottom 20%, etc.

- **Paired comparison:** The evaluator compares each employee with every other employee on a one-on-one basis in terms of overall performance. Pairs of employees are formed. Better performer in each pair is identified. The overall rank of employee is determined by the number of times chosen as better performer in total pairs.

III. <u>Objective-oriented method</u>: It is based on objective. It can be:

- **Management-by-objective:** Performance appraisal is based on how well the time-bound objectives have been accomplished. The manager and the subordinate jointly set the objectives. The emphasis is not on activities but on results achieved.
- **Appraisal interview:** It is a face-to-face discussion and review of performance appraisal with the employee. It is conducted after the performance evaluation has been formally done. Generally, it is conducted on one-to-one basis.

Importance of performance appraisal

- **Performance feedback:** PA helps to identify job related strengths and weakness of employees. Feedback can be given to employees ascut their performance rating. This helps to enhance employee effectiveness.
- **Reward management:** PA provides an objective basis for decision regarding reward system. Pay rise is generally based on performance of employee.
- **Training and development decision:** PA indicates performance deficiencies in employees. They serve as a guide for identifying training and development needs.

- **Career planning:** PA is central to an organization's career-planning process because it provides a good opportunity to review person's career plans in light of his/her exhibited strengths and weakness.
- **Supervisory understanding:** PA encourages supervisors to observe the job performance of their subordinates. This helps to develop good communication and understanding between the supervisor and subordinates.
- **Validation of selection tests:** PA results can be compared with the scores of selection tests to find out the validation of selection tests.
- **Other importance:**
  - PA facilities promoting outstanding and promising performance for upward movement in organizational hierarchy.
  - PA facilitates transferring employees to achieve a better fit between people and job.
  - PA facilitates termination of employee to weed out poor performers through dismissal, lay offs, or downsizing.

Wages:

Wages in the widest sense means any economic compensation paid by the employer under some contract to his work or for the services rendered by them. Wages therefore include family allowance, relief pay, financial support and other benefits. But, in the narrowest sense, wages are the price paid for the services of labor in the process of production and include only the performance wages or wages proper.

Wages are composed of two parts: the basic wage and other allowances. The basic wage is the remuneration, which is paid or payable to an employee in terms of his contract of employment

for the work done by him. Allowance on the other hand, is paid in addition to the basic wage to maintain the value of basic wages over a period of time. Such allowances include holiday pay, overtime pay, bonus, and social security.

Payment of wages Act 1936, India: Any award of settlement and production bonus, if paid, constitute wages.
A wage level is an average of the rates paid for the job of an organization, an establishment, a labor market, an industry, a region or a nation. A wage structure is hierarchy of job to which wages rates have been attached.
A sound wage should be equitable to all; fair and adequate compensation; current going rate; significance of cash reward.

Method of wage payment:
 I. Time wage system: It is the oldest system of remunerating labor. It is a day-work system of wages. Under this system, the employer buys the time of the worker. Thus, the worker is guaranteed a definite sum of money for a specified period of his working time. The unit of time bought may vary from one hour to one year. The payment of wages may be made at the end of the day, the week, the fortnight or the month.
   ❖ Multiple time plans: H.L. Gantt recommended the multiple time plans as an improvement over the time wage system. Under this plan, the worker is paid a day rate up to a standard production and a higher day rate if this standard is exceeded.
   ❖ Measured day work: This is a developed form of multiple time plans. Here, a careful study is made of each and every operation to determine a fair base rate by evaluating its characteristics and req   uirement and rating these

in terms of percentage. The characteristics, which may be considered, are skills required; responsibility involved; mental application required; physical application required; working conditions etc.

II. Piece wage or rate system: Both good and bad workers are paid alike; quantum of work would reduce etc. under the time wage system. To overcome such and similar limitations of time wage system, piece wage was introduced. It is the second oldest method of remunerating workers. Under this system, workers are paid exactly in proportion to their physical output. The compensation is based on the number of units produced. It can be straight or differential.
   ❖ Straight piecework: Worker is guaranteed a minimum hourly rate for standard output. Worker is paid additional amount at specified rate for each unit produced above the standard.
   ❖ Differential piecework: Here, two different rates are used. One rate is given for the standard output. Another higher rate is given for output above the standard.
Standards are based on time and motion studies and collective bargaining.

III. Bonus system: It is also known as incentive wages or premium plan/method. It combines the merits of time and speed. The various incentive wages plans are as follows:
   ❖ The Halsey Premium plan: F.A. Halsey-a mechanical engineer devised it. It is a simple combination of the time-speed basis of payment. This plan calls for the payment of time wages to workers and gives the option to work on premium basis. Workers are assured of the basic day

wages. For the purpose of premium, a standard time is set for each job on the basis of average part performance. When a worker can complete his job before the standard time, he is entitled to the premium under this scheme. This system is also called 50-50 or weir or split system

❖ The Rowan premium plan: James Rowan- a glass glow manufacturer devised it. It is widely used in Great Britain. It is modified application of Halsey plan. Like Halsey, it adopts a standard time for the performance of each job; guarantees fixed time wages and allows a premium for the completion of job done before standard time. Under this plan, premium consists of percentage of the value of the time worked rather than of the time saved

❖ The Taylor differential piece rate plan: It was devised by F.W. Taylor- father of scientific management, with a view to providing greater incentive to efficient workers. It offers low piece rate for low production and higher piece rate for higher production.

❖ The Merrick multiple piece rates: It is an improvement over the Taylor plan. Under this system, three different piece rate scales are fixed.
  ➢ When a worker's efficiency is less than 80% of the standard, his earning is calculated from a base piece rate.
  ➢ Beyond 80 to less than 100%, a slightly higher rate by 10% is payable to those who have not been able to reach up the standard.
  ➢ The highest rate of further 10% is payable to those reaching the 100% efficiency.

❖ The Gantt Task a wage plans: H.L. Gantt- an associate of Taylor devised it on the basis of Taylor's plan. Under this system, fixed time rates are guaranteed. Output standards and time standards are established for the performance of each job. Workers completing the standard job within the standard time or in less time receive wages for the standard time plus a bonus. Here, bonus is a percentage varying from 20% to 50% of the wage for the standard time.

❖ The Emerson efficiency bonus plan: In order to remove the defects of Gantt plan, this plan has been devised to give premium to the workers who attain two-thirds of the standard task. Like the Gantt plan, it sets up a time standard and a task standard. It also guarantees a fixed day wage.

❖ The Bedeaux point premium plan: Under this plan, a standard task is established for each job in terms of points. Each minute of the allotted time for a task is called a point, and the value of each point is equivalent to the wage per minute. Both time and tasks are expressed through these points. As in other plans, it also guarantees basic hourly rate. Any production over 60 points calls for a premium. The premium is equal to the excess points produced within an hour over the marginal level of 60 points.

Promotion

Promotion is usually as a movement to a position in which responsibilities are increased. It is an increase in rank. It is regarded as a change that results in higher earnings. However, increased earnings are not essential in promotion. Promotion may place an employee in positions, which carry greater and increased responsibilities. Usually, promotions are associated

with an increase in earnings as well as in responsibilities and rank.

Dry promotions: Dry promotions are sometimes given in lieu of wage or salary increments.

Reasons for promotion
- ❖ To reward employee for faithful service, meritorious performance, etc.
- ❖ To prevent employees of great potential ability from resigning
- ❖ To fill positions by selecting from within the ranks of present employees
- ❖ To place the employees in those positions where they can be more valuable for the concern
- ❖ To maintain employees' loyalty and commitment

Types of promotion
- ❖ Horizontal promotion: Advancement is made within a single job classification with or without an accompanying increase in salary. Example: lower division clerk can be promoted to the rank of upper division clerk without leaving the clerical classification
- ❖ Vertical promotion: If promotion crosses the boundaries of classification, it is called vertical promotion. It involves a distinct increase in opportunity by providing additional training, different experience, increased responsibility or the distinctive changes.

Promotion can be offered on seniority or merit basis.

Training

Training and development are the major two aspect of human resources development. Training helps employees do their present jobs. Development helps mangers handle their future responsibilities.

Training is an organized way of increasing the working abilities of a jobholder. It enhances capabilities to improve employees' performance in their present job. It involves positive changes in knowledge, skills and attitude of employees to increase their efficiency and effectiveness on the job.

Edwin B. Flippo: training is the act of increasing knowledge and skills of employees for doing a particular job.

Decenzo and Robbins: Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve his ability to perform on the job

Training serves as a balancing factor between employee's capabilities and job requirement.

Benefits of training
- ❖ Improves knowledge, skills and attitudes
- ❖ Aids productivity and quality improvements
- ❖ Heightens employee morale and job satisfaction
- ❖ Improves labor relations and organizational climate
- ❖ Better safety; reduces accidents
- ❖ Foster openness and trust
- ❖ Improves communication
- ❖ Helps plan change and management conflicts

Types of training
- ❖ Orientation training: It is also known as induction training. It seeks to introduce the new employee to the organization and its working environment
- ❖ Refresher training: It involves training in the use of new methods and techniques to cope with obsolescence (being out of date.)

- Promotional training: It increases knowledge and skills of existing employees to perform higher level job
- Job training: It increases knowledge and skills to improve performance on current job.
- Remedial training: It overcomes the shortcomings in the behavior and performance of old employees. It is corrective in nature.
- Safety training: It involves institution in the use of safety devices and to promote safety consciousness for reducing accidents and damages to machinery.

Training method
- On the job training: This method involves "learning while working". Training takes place on the job. It places the employees in the context of real work situation. It is learning by doing under the supervision of an experienced employee. It is popularly used.

Method of on-the-job training
- Apprenticeship training: Employees learn by working with those already skill in their job. Some examples are plumbers, electricians, and accountants. Its duration varies job to job generally 2 to 5 years.
- Internship training: It is provided to skilled and technical personnel. The trainee is interned in organization for a specified period and works as an employee. Students of technical subjects generally undergo internship training.
- Job instruction training: It is a systematic step-by-step approach to on the job training to teach new task. It is received directly on the job. It is directly related to specific work situation.

Off-the-job training: The training takes place outside the work situation. It is mostly classroom based.
Method of off-the-job training:
- Lecture/conference: It is based on talking and showing. It is oral communication of specific information by instructor to trainees. It is teacher-oriented training by telling. Audio-visual tools are used.
- Simulation exercises: Simulation is abstraction of real work conditions in the lab or classroom. The trainee is placed in an artificial environment that closely resembles actual working conditions. Computer modeling is an example. Airlines use simulation to train pilots. It can be computer modeling or vestibule training.
- Programmed instruction: It can be in the form of programmed text or manuals. It condenses information to be learned into organized and logical sequences. Trainees are required to provide feedback on their learning progress. Computer assisted instructions and interactive video training are widely used for the delivery of programmed instruction.
- Experimental/ role-play: They are short structured "learning by doing" experiences. Role lay is an example of such exercises. Role-plays are human interaction involving realistic behavior in imaginary situations. Trainees act roles to learn behavior appropriate for the job.

Training process
According to Marry D. Carolan, a typical training process or training program consists of the following five steps:
1. Needs Analyses: Training should be given when there is a training need. Training need is a gap between the existing

capabilities of an employee and the requirement of the job. The purpose of needs analysis step is to identify the specific job performance skills needed, to analyze the skills and needs of the prospective trainees and to develop specific, measurable knowledge and performance objectives.

2. Instructional design: In this step, the actual content of the training program is compiled and produced including workbooks, exercises and activities. It should ensure quality and effectiveness. The material should be systematically ordered.

3. Validation: Next is validation step. It ensures that the bugs are worked out of the training program by presenting it to small representative audience. Unwanted items are eliminated. It results in program effectiveness.

4. Implementation: Fourth, the training program is implemented. It can be on-the-job or off-the-job. It also focuses on presentation of knowledge and skills in addition to training context.

5. Evaluation and follow-up: There should be an evaluation and follow-up step in which the program's success or failure are assessed. The program's success should be assessed according to reaction, learning, behavior, and results.

Chapter Five

Industrial relation
IR generally means relationship between management and workers or the relationship between employer and employee in an organization. Industrial society creates IR. Where willing cooperation comes from employees towards the achievement of

organizational goals, there is said to be good IR. It is eventually human relations in organizational setting.

Traditionally IR used to be concerned with the relations that existed between employer and labor. IR, in modern sense is a dynamic concept. It is concerned with managing interrelationships among three actors: workers represented by trade union; employers represented by employers associations; and society represented by the government and various pressure groups. IR is also known as labor relations in today's perspective.

Johannes Shregle: IR denotes "the relationship between workers and employers, between workers' organization and employees' organizations and between these organizations and public authorities.

John T. Dunlop: IR is the complex of inter-relations among workers, manger and government.

ILO: IR refers to the relationship between workers and employers, workers' organization and employers' organization and between those organizations and government. It is a tripartite consultative mechanism.

Necessity of IR
- ❖ To promote and develop healthy labor-management government relations to achieve overall goals of national development
- ❖ To minimize industrial conflict, tension and disruptions
- ❖ To establish favorable work climate through effective commutation and participative culture
- ❖ To develop and maintain team spirit.

Actors of IR

The key three actors in IR are workers/trade union; employers/employers' association; and society/government/pressure groups.

Collective bargaining

CB is an important method of negotiation for settlement of labor disputes. It is a mode of fixing terms of employment by means of bargaining between employer and worker. CB refers to negotiation, administration and interpretation of a time bound written agreement between two parties. It is collective because the union represents the workers as a bargaining agent. Employer association may represent employers. Professional managers may represent owners.

The CB agreement lays down in specific terms and conditions of employment. It has two aspects: it lays down employer-employee relations on the job through a collective agreement; it interprets and administers the collective agreement.

Encyclopedia of social science: CB is a process of discussion and negotiation between two parties, one or both of whom is a group of persons acting in concert. More specially, CB is the procedure by which an employer and a group of employee agree upon the conditions of work.

CB is a dynamic process, which can be conducted in a three levels: plant level; industry level; and national level.

Subject matter/provision of CB
- ❖ Union recognition
- ❖ Union security
- ❖ Wage rates
- ❖ Conditions of employment
- ❖ Benefits

- ❖ Discipline
- ❖ Strikes and lock outs
- ❖ Seniority clause
- ❖ Grievance handing
- ❖ Management rights
- ❖ Union activity
- ❖ Health and safety

Importance of CB
- ❖ It promotes and protects the interests of both parties and empowers them economically
- ❖ It helps to establish uniform terms and conditions of employment to prevent disputes
- ❖ It helps settle disputes when they arise
- ❖ It lays down norms and rules for interrelationships between labor and management
- ❖ It helps establish favorable work climate
- ❖ It promotes participation and democratic leadership

CB process
CB process consists of five steps:
- ❖ Preparing for negotiation: This is homework phase for both union and management. Required information can be collected internally or externally.
- ❖ Contract negotiation: Both parties meet at the bargaining table. Union delivers a list of demand to management. The negotiation continues formally. It results in an oral agreement.
- ❖ Agreement: The oral agreement is converted into written agreement.

- ❖ Union rectification: The union negotiators submit the agreement for approval from their associated members. Upon acceptable, the agreement becomes a contract.
- ❖ Contract administration: Union members and management are informed about the contract. Thereafter, it is implemented and monitored.

Process of industrial labor relations
- ❖ Unionization: Labor/trade union is formally established. Management should duly recognize it.
- ❖ Dispute or conflict: They serve as the starting point for IR. The key issues, which lead to dispute or conflict, are wage; work hours, terms and conditions of work, grievance procedure.
- ❖ Collective bargaining, negotiation: Unions and management negotiate at the bargaining table. Union put their list of demand to the management.
- ❖ Settlement of conflict: between union and employer is converted into a written contract. Union members approve this contract.
- ❖ Contract administration: Union members and management are informed about the contract. Thereafter, it is implemented and monitored.

Trade union
Union is an important part of internal environment of organizations. They greatly affect the important sectors of the economy. Trade unions are the associations of workers. They are formed to protect, maintain and improve economic, social and

vocational/professional interests of their members and to strength their bargaining power.

Delenzo and Robbins: A union is an organization of workers acting collectively seeking to promote and protect its mutual interests through collective bargaining.

Dale Yoder: Trade union is continuing long-term association of employee, formed and maintained for specific purpose of advancing and protecting the interest of members in their working relationship.

Characteristics of trade union
- ❖ Trade unions are association of workers
- ❖ Unions are goal oriented
- ❖ A union is relatively permanent organization
- ❖ Members of the union work collectively as a group
- ❖ Members of the union seek to promote their mutual interests
- ❖ A union operates through collective bargaining
- ❖ Trade unions are dynamic and are ready to meet challenges emanating from the change in technology and environment

Function of trade union
- ❖ Intramural functions: They include welfare schemes of unions for their members only. They are also called militant function, are the bargaining points. They include wage, rest interval, safety, working conditions, continuity of employment
- ❖ Extramural function: They are carried to help members in times of need. Functions related to provision of educational, recreational and housing facilities by unions are extramural functions. Trade unions raise funds in the form of membership fee and grant a number of benefits to the members
- ❖ Political function: Besides socio-economic interests, unions may also have political functions. They can exert political power to fulfill their demands from the management and government. In Nepal, trade unions are inclined to political parties.

Goals of trade unions
- ❖ To get higher wages and benefit packages for their members than employers are willing to give to individuals
- ❖ To provide greater job security for their members through collective bargaining contract and administration
- ❖ To influence work rules administration
- ❖ To obtain political power

Trade union movement in Nepal

Trade union movement in Nepal started rather late. The movement can be divided into three historical periods such as described below:

During the Rana autocracy (1816-1950):

The period of 104 years between 1816 and 1950, when the Ranas took the reign of country in their own hands by eclipsing the royal authority, is characterized as black period in the history of Nepal. They enjoyed unrestrained political powers. During the autocratic Rana regime, which ended in 1951, the growth of trade union such as Biratnagar Workers Union, Independent workers Union and Collon Mills Union emerged secretly and were preoccupied with political activities.

During democratic innovation to Panchayat system (1951-1961): The new political set up was established in 1951 after the overthrow of Rana regime. Rule of law was restored. This granted the constitutional right of freedom to form unions. Thereafter, labor unions mushroomed at the national and plant level till1959. But all the politically motivated class organizations including labor unions were banned in 1960. In the process, the existing labor unions were also closed down. But the labor class was provided as one of class organizations under the National Guidance Act, 1961. The labor organization was accordingly organized at different levels under the government initiative and control. But multi-unionism was prohibited under the law. Nepal Factory and Factory workers' Act 1959 was enacted during this period.

Multiparty democracy and onwards:
Immediately after the restoration of multiparty democracy in the year 1990, the worker force began coming forward united with several demands like wage-hikes, job security, social welfare along with other important issues like full freedom of association for introducing industrial democracy in the country. Recently, the labor Act, 204891992) and Trade Union Act, 2049(1993) and Rules have been enacted. The tripartite central labor advisory Board advices HMG on labor policy and legislation. The said acts have facilitated registration and recognition of trade unions in accordance with legal provisions. The multiplicity of trade unions has already emerged. Inter-union rivalries are common.

Arbitration

Arbitration is the most definitive type of third party intervention. It is a process in which a dispute is submitted to impartial outsiders who makes a decision, which is usually binding on both parties. It is a process where there is a hearing and determination of a cause between parties in controversy by a person or persons chosen by them or appointed under a statutory provision. Arbitrator is a third party with the authority to dictate an agreement.

Delenzo & Robbins: Arbitration means the hearing and resolution of a labor dispute usually performed by neutral third party

Arbitration may be voluntary or compulsory. Under voluntary or requested arbitration, the parties to dispute can and do themselves refer voluntarily any dispute to arbitration before it is referred for adjudication. The decision may be binding on the conflicting parties

Under compulsory arbitration, the parties to dispute are required to accept arbitration without any willingness on their part. When voluntary arbitration facts, compulsory arbitration is applied. It is forced on the parties by law or contract.

The main objective of arbitration is not to compromise or but adjudication

Process of arbitration:
- ❖ Parities to conflict agree in writing refer the dispute to arbitration. The arbitrator should be a neutral third party. The parties to conflict are workers and employers.
- ❖ Arbitrator examines the dispute through attendance of witness and investigations. The dispute is studied in detail from relevant perspectives.

❖ The arbitrator finally makes decision to resolve the conflict. The decision is now ready to accept by the conflicting parties. This decision should rest on equity and justice.

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Employee safety and health

Management has a responsibility to ensure that the workplace is free from unnecessary hazards and that conditions surroundings the workplace is not hazardous to employees' physical and mental health. The major factor causing safety and health issues is accident. Of course, accidents can and do occur on many jobs. To overcome employees safety and health issues in working situation government of various countries have passed Occupational safety and Health Act in their own context. This acts fixes the safety and health standards. Standards exist for such diverse conditions as noise level, air impurities, physical protection equipment, the height of toilet partition, and the correct size of ladders. This act established comprehensive and specific health standards, authorized inspection to ensure the standards.

Accident (safety problems and remedies):
Accident is an unintentional or unexpected happening that results in injury, damage, harm or loss.
Cause of accidents:
Chance occurrence: They happen any time and are uncontrollable.
Unsafe conditions: Improperly guarded equipment
                   Defective equipment
                   Hazardous procedures

                   Unsafe storage
                   Improper illumination
                   Improper ventilation
Unsafe acts (human causes): carelessness, intoxication, daydreaming, and inability to
                   do the job or other human deficiency, fatigue

How to prevent accidents (preventing measure)
  ❖ Reducing unsafe conditions
  ❖ Reducing unsafe acts through selection and placement.

Budget control method (audit):
Audit is a budget control method. It involves systematic examination of books of accounts to identify their fairness. It is a systematic examination of the books and records of a business or other organization in order to ascertain or verify and to report upon the fact regarding its financial operations and the results thereof. Audit is an instrument of financial control. It acts as a safeguard on behalf of the proprietor against extra vyahle, carelessness or fraud on the part of the proprietor's agent or servant in the realization or utilization of his money or other assets. It ensures on the proprietor's behalf that accounts maintained truly represent facts and that expenditure has been incurred with due regularity and propriety. The person or agency employed for this purpose is called an auditor. In its wildest scope, audit not only implies audit of financial operations but also non-financial matters of an organizations.

Objectives:

- ❖ Main objectives: It involves expressing expert opinion on financial statements. It thus discloses a company's operating results and exhibits as well as financial position
- ❖ Secondary objectives: It involves detection and prevention of errors as well as frauds.
- ❖ Specific objectives: The audit may not only imply financial audit alone. It may encompass such other areas like review of operations, performance management policies, and so on

Advantages of audit:
- ❖ Errors and frauds are located at an early date and in future no attempt is made to commit such frauds
- ❖ Auditing of accounts keeps the accounts clerk regular and vigilant, as they know that the auditors would complain against them otherwise.
- ❖ In case of insurance claims, the insurance company may settle the claim on the basis of previous year's audited accounts
- ❖ Money can be borrowed easily on the basis of audited balance sheet
- ❖ Valuation of assets and goodwill will be easier if business is to be sold as a going concern
- ❖ Income tax authorities generally accept the profit and loss account which has been prepared by a qualified auditor
- ❖ Management may consult the auditor and seek his advice on certain technical points
- ❖ Accounts of one year can be compared with other years and if there is any discrepancy, the cause can be enquired into.

- ❖ It would facilitate the settlement of accounts of a deceased partner