Chapter 6

Management Scope in Different Areas

Human Resource Development/Human Resource Management

The concept of human resource development (HRD) is comparatively of recent origin. This concept is used both at micro and macro level. At the macro level, it is concerned with the efforts made to improve the quality of life of nation, while at micro level, it is concerned with the improvement in the quality of managers and staff so as to achieve the targets of the organization.

“Human resource development is the process of increasing knowledge, capabilities and positive attitude of all people working at all levels in a business undertaking.”

Objectives of Human Resource Development

The main objectives of HRD are as follows:

- To develop the capabilities of each employee in the organization.
- To develop the capabilities of each individual in relation to his future goals.
- To develop good relationship between employees and supervisors.
- To develop team spirit.
- To establish collaboration between different units.
- To retain the motivated employees.
- To provide the framework for the development of human resources in an organization.

To achieve the above objectives, HRD adopts the following sub systems:

- Performance appraisal
- Feedback
- Career planning
- Training
- Organizational development
- Quality of work

Manpower planning

Manpower planning is a process including forecasting, developing, implementing and controlling- by which a firm ensures that it has the right number of people and the right kind of people, at the right places and at the right time doing work for which they are economically most useful.

Recruitment and selection

Recruitment is the process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measure for attracting the manpower in adequate number to facilitate effective selection of an efficient working force.

Factors affecting recruitment

- The size of the organization.
- The employment condition in the society where the organization is located.
- Working conditions, salaries and benefit packages offered by the organization.
- The rate of the growth of the organization.
- Cultural, economical and legal factors etc.

Sources of recruitment

Basically there are two sources of the recruitment :

1. **Internal Source**
2. **External Source**

Internal Source

Internal source of recruitment is the process in which the vacancy is filled within the organization. It is desirable to look for applicants from within the organization, if they have requisite qualification needed to fill a vacancy. Under this there are following category of employees:

- **Present permanent employees**
  This internal source of recruitment is used for higher level job when internal candidate is equally suitable as available from external sources. This also motivates the present employees.
- **Casual employees**
  This source is used at the lower levels due to pressure of the trade unions.
- **Retired employees**
  Sometimes, the organization retrenches the employees due to lay off and whenever there is a vacancy in the organization, it is filled from these retrenched employees.

External source

The external source of recruitment is that process where the supply of manpower is from the outside source.

- **Educational and training institutes**
  Most of the organization use this source recruitment in the campus of the institute itself with a view to minimize time lapse and to tap the talent before it is attracted by some other organization.
- **Data banks**
  Under this, the management can collect the biodata of the candidates from the different source like educational training institutes, employment exchange etc. and prepare a data bank.
- **Similar organization**
  This would be one of the most effective source for newly established business. The management can get suitable and experienced candidate from other companies having similar nature and producing same product.

Performance appraisal

The basic purpose of performance appraisal is to identify an employees worth and contribution to the company. Important factors include – attendance, efficiency, attitude, quality of work, amount of work are just a few important factors.

The physical or objective factors like attendance, amount of work, efficiency can be easily measured by the records maintained by the Human Resource Department Manager.

However, it gets a bit icky, when it comes to measuring subjective factors like attitude, behaviour, friendliness etc. But to properly evaluate an individual's performance, appraisal of both subjective and objective factors needs to be done.

Performance appraisal method

1. **Unstructured appraisal method**

   This method is simple and highly subjective. It is specially used in government departments and public sector undertaking. In this method, the appraiser notes down his impression about the person being appraised under specific headings like health, behaviour etc.

2. **Ranking method**
   it is simple method of placing the employees in a rank according to their job performance. All the employees are compared on the same factor and rated on the overall basis with reference to their job performance.

3. **Forced distribution method**
   In this method, the appraiser divides the employees being appraised into predetermined ranges of scale. In this method, two or more employees may be given same rating. The advantage of this method is that it is easy to understand and implement.

4. **Checklist appraisal method**
   This method is based upon a standard checklist. The various statement in the checklist are incorporated in such a way that these describe various types of behavior of an employee on a particular job. This method is lengthy in evaluating the employees and is relatively costlier.

Material management

Materials Management is the planning, directing, controlling and coordinating those activities which are concerned with materials and inventory requirements, from the point of their inception to their introduction into the manufacturing process.
The procurement of material consists of its quantity, quality and the price at which the material should be bought or purchased.

Objectives of material management

The fundamental objectives of materials management activities can be:

(i) Material Selection:

Correct specification of material and components is determined. Also the material requirement in agreement with sales programme are assessed. This can be done by analysing the requisition order of the buying department. With this standardisation one may have lower cost and the task of procurement, replacement etc. may be easier.

(ii) Low operating costs:

It should endeavor to keep the operating costs low and increase the profits without making any concessions in quality.

(iii) Receiving and controlling material safely and in good condition.

(iv) Issue material upon receipt of appropriate authority.

(v) Identification of surplus stocks and taking appropriate measures to produce it.

The outcome of all these objectives can be listed as given below:

(i) Regular uninterrupted supply of raw-materials to ensure continuity of production.

(ii) By providing economy in purchasing and minimising waste it leads to higher productivity.

(iii) To minimise storage and stock control costs.

(iv) By minimising cost of production to increase profits.

(v) To purchase items of best quality at the most competitive price.

Functions of material management

The following functions are assigned for material management:

1. Production and Material Control:

Production manager prepares schedules of production to be carried in future. The requirements of parts and materials are determined as per production schedules. Production schedules are prepared on the basis of orders received or anticipated demand for goods. It is ensured that every type or part of material is made available so that production is carried on smoothly.

2. Purchasing:

Purchasing department is authorized to make buying arrangements on the basis of requisitions issued by other departments. This department keeps contracts with suppliers and collects quotations etc. at regular intervals. The effort by this department is to purchase proper quality goods at reasonable prices. Purchasing is a managerial activity that goes beyond the simple act of buying and includes the planning and policy activities covering a wide range of related and complementary activities.

3. Non-Production Stores:

Non-production materials like office supplies, perishable tools and maintenance, repair and operating supplies are maintained as per the needs of the business. These stores may not be required daily but their availability in stores is essential. The non-availability of such stores may lead to stoppage of work.

4. Transportation:

The transporting of materials from suppliers is an important function of materials management. The traffic department is responsible for arranging transportation service. The vehicles may be purchased for the business or these may be chartered from outside. It all depends upon the quantity and frequency of buying materials. The purpose is to arrange cheap and quick transport facilities for incoming materials.

5. Materials Handling:

It is concerned with the movement of materials within a manufacturing establishment and the cost of handling materials is kept under control. It is also seen that there are no wastages or losses of materials during their movement. Special equipment's may be acquired for material handling.

6. Receiving:

The receiving department is responsible for the unloading of materials, counting the units, determining their quality and sending them to stores etc. The purchasing department is also informed about the receipt of various materials.

Methods of inventory management

1. ABC analysis:

The basic work in this always better control analysis is the classification and identification of different types of inventories, for determining the degree of control required for each. In many firms it is found that they have stocks which are used at very different rates. So items are classified under three broad categories A, B and C, on the basis of usage, bulk, value, size, durability, utility, availability, criticality etc.; and should be controlled with due weightage to differential characteristics.

The items included in group A involve largest investments and the inventory control should be most severe to these items. C group consists of inventory items which involve relatively small investments although the number of items remains large. These items deserve minimum attention of control. In B group that items are included which are neither of A nor C. This method can be explained by the following exhibit.

Exhibit II:

Classification of Inventory Items:

Class	No. of Items (per cent of total)	Value of Items (per cent of total)
A	20	85
B	30	10
C	50	5
Total	100	100

From the figure it can be observed that there are comparatively few items in A but they constitute a large proportion of the total rupee value; B items are in the intermediate range and C items are numerous but inexpensive.

The purpose behind the 'distribution by value' analysis is 'Always Better Control'. Donald G. Hall recommends that different attitudes shall be adopted in inventory management—aggressive for class A items, active for class B items and loose for class C items; and that each category should be given the attention as deserves. R.S. Chadda recommends the following order for selective control:

	A Items	B Items	C Items
1. Control	Tight	Moderate	Loose
2. Requirements	Exact	Exact	Estimated
3. Postings	Individual	Individual	Group
4. Check	Close	Some	Little
5. Expediting	Regular	Some	None
6. Safety Stocks	Low	Medium	Large

2. Economic order quantity model:

The basic decision in an economic order quantity (EOQ) procedure is to determine the amount of stock to be ordered, at a particular time so that the total of ordering and carrying costs may be reduced to a minimum point. A firm should place optimum orders and neither too large nor to small. The EOQ is the level of inventory order that minimizes the total cost associated with inventory. The EOQ model is based on following four assumptions:

(i) A firm has a steady and known demand of D units each period for a particular input.

(ii) The firm consumes the input at a uniform rate.

(iii) The costs of carrying stocks are a constant amount C per unit per period.

(iv) The costs of ordering more inputs are a fixed amount O per order. Orders are delivered instantly.

A useful formula for calculating the optimum order quantity is:

$EOQ = \sqrt{2DO}/ C$

To show how we might use the formula consider exhibit III in which a firm has an annual inventory requirement of 10,000 units. The accounting costs associated with placing an order with the supplier come to Rs. 200 per order and the carrying costs of holding stocks are expected to be Rs. 4 per unit.

Hence, D=10,000 units

0=Rs. 200

C=Rs. 4

$EOQ = \sqrt{2} \times 10,000 \times 200/ 4$

$= \sqrt{}10,00.000$

= 1,000 units

Therefore, 1000 units should be ordered every 37 days.

The EOQ model is very simple one and its assumptions will be unrealistic in many applications, in practice orders are not delivered instantly. The assumption of a constant usage of inventory and known annual demand are of doubtful validity.

Marketing and Sales

Marketing refers to activities a company undertakes to promote the buying or selling of a product or service. Marketing includes advertising, selling, and delivering products to consumers or other businesses. Some marketing is done by affiliates on behalf of a company.

Professionals who work in a corporation's marketing and promotion departments seek to get the attention of key potential audiences through advertising. Promotions are targeted to certain audiences and may involve celebrity endorsements, catchy phrases or slogans, memorable packaging or graphic designs and overall media exposure.

Importance of marketing

In modern times marketing has become a very complex and tedious task. Marketing has emerged as a new specialized activity along with production.

- Marketing helps in movement, exchange, and transfer of goods. Goods and services are made available to customers through various intermediaries like wholesalers and retailers etc. Marketing is helpful to both producers and consumers.
- Marketing is helpful in raising and maintaining the standard of living of the community. By making available the uninterrupted supply of goods and services to consumers at a reasonable price, marketing has played an important role in raising and maintaining the ng standards of the community. Marketing has, in fact, revolutionized and modernized the living standard of people in modern times.
- Marketing creates employment. Marketing is a complex mechanism involving many people in one form or the other. The major marketing functions are buying, selling, financing, transport, warehousing, risk-bearing, and standardization, etc. In each such function different activities are performed by a large number of individuals. hus, marketing gives employment to many people.
- Marketing as a source of income and revenue. The performance of marketing functions is all-important because it is the way through which the concern could generate revenue or income and bring in profits. Marketing does provide many opportunities to earn profits in the process of buying and selling the goods, by creating time, place and possession utilities. Marketing should be given the greatest importance since the very survival of the firm depends upon the effectiveness of the marketing function.
- Marketing acts as a basis for making decisions. Marketing has emerged as a w specialized activity along with production. As a result, producers are depending largely on the mechanism of marketing, to decide what to produce and sell. With the help of marketing techniques, the producer can regulate his production accordingly.

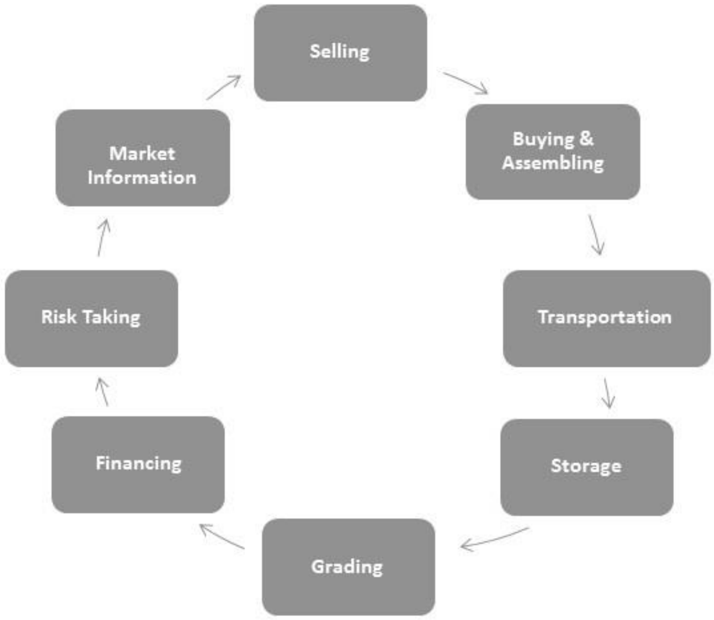
Functions of marketing

We need to understand the major functions of marketing management in order to understand and groom our organization. The following are some of the major functions of marketing management –

- Selling
- Buying and Assembling
- Transportation
- Storage
- Standardization and Grading
- Financing

- Risk Taking
- Market Information

The marketing process performs certain activities as the products and services move from the producer to consumer. All these activities or jobs are not performed by every company.



Nonetheless, it is recommended that they be carried out by any company that wants its marketing systems to function successfully.

Selling

Selling is the crux of marketing. It involves convincing the prospective buyers to actually complete the purchase of an article. It includes transfer of ownership of products to the buyer.

Selling plays a very vital part in realizing the ultimate aim of earning profit. Selling is groomed by means of personal selling, advertising, publicity and sales promotion. Effectiveness and efficiency in selling determines the volume of the firm's profits and profitability.

Buying and Assembling

It deals with what to buy, of what quality, how much from whom, when and at what price. People in business purchase to increase sales or to decrease costs. Purchasing agents are much tempted by quality, service and price. The products that the retailers buy for resale are selected as per the requirements and preferences of their customers.

Assembling means buying necessary component parts and to fit them together to make a product. 'Assembly line' marks a production line made up of purely assembly functions. The assembly operation includes the arrival of individual component parts at the work place and issuing of these parts for assembling.

Assembly line is an arrangement of employees and machines in which each individual has a particular job and the work is passed directly from one employee to the next until the product is complete.

Transportation

Transportation is the physical means through which products are moved from the places where they are produced to those places where they are needed for consumption. It creates locational utility.

Transportation is very important from the procurement of raw material to the delivery of finished products to the customer's places. Transportation depends mainly on railroads, trucks, waterways, pipelines and airways.

Storage

It includes holding of products in proper, i.e., usable or saleable, condition from the time they are produced until they are required by customers in case of finished products or by the production department in case of raw materials and stores.

Storing protects the products from deterioration and helps in carrying over surplus for future consumption or usage in production.

Standardization and Grading

Standardization means setting up of certain standards or specifications for products based on the intrinsic physical qualities of any item. This may include quantity like weight and size or quality like color, shape, appearance, material, taste, sweetness etc. A standard gives rise to uniformity of products.

Grading means classification of standardized items into certain well defined classes or groups. It includes the division of products into classes made of units possessing similar features of size and quality.

Grading is very essential for raw materials; agricultural products like fruits and cereals; mining products like coal, iron and manganese and forest products like timber.

Financing

Financing involves the application of the capital to meet the financial requirements of agencies dealing with various activities of marketing. The services to ensure the credit and money needed and the costs of getting merchandise into the hands of the final user are mostly referred to as the finance function in marketing.

Financing is required for the working capital and fixed capital, which may be secured from three sources — owned capital, bank loans and advance & trade credit. In other words, different kinds of finances are short-term, medium-term, and long-term finance.

Risk Taking

Risk means loss due to some unforeseen situations. Risk bearing in marketing means the financial risk invested in the ownership of goods held for an anticipated demand, including the possible losses because of fall in prices and the losses from spoilage, depreciation, obsolescence, fire and floods or any other loss that may occur with the passage of time.

They may also be due to decay, deterioration and accidents or due to fluctuation in the prices induced by changes in supply and demand. The different risks are usually termed as place risk, time risk, physical risk, etc.

Market Information

The importance of this facilitating function of marketing has been recently marked. The only sound foundation on which marketing decisions depend is timely and correct market information.

The importance of this facilitating function of marketing has been recently marked. The only sound foundation on which marketing decisions depend is timely and correct market information.

Sales Promotion

By definition, a sales promotion is an activity applied for a predetermined, limited period of time, with the aim of increasing consumer demand and stimulating sales. Sales promotions give potential customers an additional reason to consider doing business with you and your company.

The idea is once customers are willing to take that first step and try your product — whether through limited trial periods, discounts, special offers, free shipping, branded gifts, loyalty programs, or digital coupons — they'll be happy enough with the results to be willing to spend more of their hard-earned cash with you down the track.

Offering a discount is a tried-and-true way to win over customers, boost sales, and move stock. Not only do 77% of shoppers say discounts can influence where they shop, almost half (48%) admit a discount has sped up a purchasing decision. Discounts can be limited to a specific point in the customer journey — for example their first online order — or a seasonal or holiday promotion. Or consider an alternative, such as offering a special price — for example, “nothing over $20” — or a buy-one-get-one deal.

Financial management

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Functions of Financial Management

1. **Estimation of capital requirements:** A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.
2. **Determination of capital composition**: Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.
3. **Choice of sources of funds:** For additional funds to be procured, a company has many choices like-
    a. Issue of shares and debentures
    b. Loans to be taken from banks and financial institutions
    c. Public deposits to be drawn like in form of bonds.

    Choice of factor will depend on relative merits and demerits of each source and period of financing.

4. **Investment of funds:** The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.
5. **Disposal of surplus:** The net profits decision have to be made by the finance manager. This can be done in two ways:
    a. **Dividend declaration** - It includes identifying the rate of dividends and other benefits like bonus.
    b. **Retained profits** - The volume has to be decided which will depend upon expansional, innovational, diversification plans of the company.
6. **Management of cash:** Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintainance of enough stock, purchase of raw materials, etc.
7. **Financial controls:** The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

Importance of Financial Planning

Financial Planning is process of framing objectives, policies, procedures, programmes and budgets regarding the financial activities of a concern. This ensures effective and adequate financial and investment policies. The importance can be outlined as-

1. Adequate funds have to be ensured.

2. Financial Planning helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained.
3. Financial Planning ensures that the suppliers of funds are easily investing in companies which exercise financial planning.
4. Financial Planning helps in making growth and expansion programmes which helps in long-run survival of the company.
5. Financial Planning reduces uncertainties with regards to changing market trends which can be faced easily through enough funds.
6. Financial Planning helps in reducing the uncertainties which can be a hindrance to growth of the company. This helps in ensuring stability and profitability in concern.

Income tax

An income tax is a tax that governments impose on income generated by businesses and individuals within their jurisdiction. By law, taxpayers must file an income tax return annually to determine their tax obligations. Income taxes are a source of revenue for governments. They are used to fund public services, pay government obligations, and provide goods for citizens. Certain investments, like housing authority bonds, tend to be exempt from income taxes.

Sales tax

A sales tax is a consumption tax imposed by the government on the sale of goods and services. A conventional sales tax is levied at the point of sale, collected by the retailer, and passed on to the government. A business is liable for sales taxes in a given jurisdiction if it has a nexus there, which can be a brick-and-mortar location, an employee, an affiliate, or some other presence, depending on the laws in that jurisdiction.

Excise duty

Excise duty refers to the taxes levied on the manufacture of goods within the country, as opposed to custom duty that is levied on goods coming from outside the country. Readers should note that **GST has now subsumed a number of indirect taxes including excise duty**. This means excise duty, technically, does not exist in India except on a few items such as liquor and petroleum. The information given below pertains to the functioning of Excise Duty in India before the implementation of GST regime.

Custom duty

Customs Duty is a tax imposed on imports and exports of goods.

The rates of customs duties are either specific or on ad valorem basis, that is, it is based on the value of goods. Rule 3 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 states that the value of imported goods shall be the transaction value adjusted in accordance with the provisions of its Rule 10.

VAT

A value-added tax (VAT), known in some countries as a goods and services tax (GST), is a type of tax that is assessed incrementally. It is levied on the actual transaction value of a product or service at each stage of production, distribution or sale to the end consumer, except where a business is the end consumer which will reclaim this input value. It has similarities and is often erroneously compared to a sales tax.

GST

GST (Goods and Services Tax) is one indirect tax for the whole nation. It is the resultant tax after subsuming major Central and State indirect taxes. GST is a destination based tax levied on the consumption of goods and services across the nation, thus rendering the country one unified common market.

A destination based tax is one which is levied in the state where the goods or services are consumed and not where they are produced. On the other hand, an origin based tax is levied in the state where goods or services are produced (not consumed).

In India, GST is effective from July 1, 2017.