



T.Y.B.COM.
SEMESTER - V (CBCS)

BUSINESS MANAGEMENT PAPER III
MANAGEMENT AND
ORGANIZATION DEVELOPMENT

SUBJECT CODE :23102

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***Revised Syllabus of Courses of B.Com. Programme at Semester V
with effect from the Academic Year 2022-2023***

Elective Courses (EC)

1 A. Discipline Specific Elective (DSE) Courses

Group B: Business Management

**1. Business Management Paper-III:
Management and Organization Development**

Modules at a Glance

Sr. No.	Modules	No. of Lectures
1	Introduction	15
2	Planning	15
3	Organizing as a Managerial Function	15
4	Staffing	15
Total		60

Sr. No.	Modules / Units
1	Introduction
	<ul style="list-style-type: none"> • Management – Definition and Characteristics • Management – as Science, art and profession – Levels of management and management skills • Development of Management Thought – Scientific Approach Administrative School, Behaviour School, Systems Approach and Contingency Approach. Evolution of Indian management thoughts and their relevance in the current era. • Functions of Management in a typical business organisation
2	Planning
	<ul style="list-style-type: none"> • Planning, forecasting, decision making and problem solving • Nature, characteristics, merits and limitations of planning. • Classification and components of plans • Essentials of a good plan and planning process • Management by objectives (MBO) – Importance and relevance
3	Organizing as a Managerial Function
	<ul style="list-style-type: none"> • Definition and Principles • Departmentalisation • Formal organisations – Functional, SBU, Matrix, Committees • Informal organisations – Relevance and Importance • Authority, responsibility, accountability and span of control • Organizational hierarchy – charts • Delegation of authority and decentralization • Emergence of virtual organisation – merits and limitations
4	Staffing
	<ul style="list-style-type: none"> • Importance of human resource in organisations • Estimation of human resource requirements • Human Asset Accounting • Job Analysis • Recruitment and selection • Training and Development • Performance Appraisal

Reference Books

- Essentials Management Koontz and Weihrich/ McGraw Hill
- Principles of Management by Koontz and O.Donnel/ Tata McGraw hill, New Delhi.
- Principles of Management : Theory and practices by Sarangi S.K.VMP Publishers and Distributors.
- Guide to Management Ideas by Tim Hindle, The Economist
- Principles of Management by Terry G.R.AITBS
- Business Organization and principles of Management by Datta Chaudury, Centrak Education.
- Principles of Management, Daver Rustoms, Croen
- Principles of Management, Tripathi P.C. Tata McGraw Hill New York.
- Practice of Management by peterDrucker/ Allied Publisher, New Delhi.
- Management by Ricky W. Griffine/ Houghton Miffline Comoany
- Management by Gary/ Prentice Hall.
- Management by Stephen Robbins, Many Coulter/ Prentice Hall
- Management by James Stoner, Edward Freeman/ Prentice Hall
- Time Management by Roberta Roesch, Tata Mc Graw Hill
- Time Management by Marc MANCINI. Tata Mc Graw Hill



**Revised Syllabus of Courses of B.Com. Programme at Semester V and VI
with effect from the Academic Year 2022-2023**

**Question Paper Pattern
(Theoretical Courses)**

Maximum Marks: 100

Questions to be set: 06

Duration: 03 Hrs.

All Questions are Compulsory Carrying 15 Marks each.

Question No	Particular	Marks
Q-1	Objective Questions A) Sub Questions to be asked 12 and to be answered any 10 B) Sub Questions to be asked 12 and to be answered any 10 (*Multiple choice / True or False / Match the columns/Fill in the blanks)	20 Marks
Q-2	Full Length Question OR	15 Marks
Q-2	Full Length Question	15 Marks
Q-3	Full Length Question OR	15 Marks
Q-3	Full Length Question	15 Marks
Q-4	Full Length Question OR	15 Marks
Q-4	Full Length Question	15 Marks
Q-5	Full Length Question OR	15 Marks
Q-5	Full Length Question	15 Marks
Q-6	A) Theory questions B) Theory questions OR	10 Marks 10 Marks
Q-6	Short Notes To be asked 06 To be answered 04	20 Marks

Note:

Theory question of 15 marks may be divided into two sub questions of 7/8 or 10/5 Marks.

INTRODUCTION

Unit Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Management - Characteristics
- 1.3 Management – as Science, Art and Profession
- 1.4 Levels of Management and Management Skills
- 1.5 Development of Management thoughts
- 1.6 Evolution of Indian Management thoughts
- 1.7 Functions of Management in a typical business organization
- 1.8 Summary
- 1.9 Exercise

1.0 OBJECTIVES

After studying the unit the students will be able to :

- 1. Define the concept of Management.
- 2. Understand the characteristics of management.
- 3. Explain the different dimensions of management.
- 4. Know the levels of management.
- 5. Explain the management skills and competence required in 21st century.
- 6. Discuss the various management thoughts and approaches.
- 7. Analyse the evolution of Indian Management thoughts and their relevance in the current era.
- 8. Elaborate the functions of Management in a typical business organization.

1.1 INTRODUCTION

1.1.1 – MANAGEMENT – MEANING :

The term management is widely used in everyday life. Management is required wherever two or more people work together to achieve common

objective. It is required not only in business organizations but also in other organizations like governments, hospitals, educational institutions, charitable trust, etc. Management is the specific organ of the modern institution.

1.1.2 – DEFINITION :

1. According to **Mary Parker Follet**, “Management is the art of getting things done through people.”
2. In the words of **Henry Fayol**, “To manage is to forecast and to plan, to organize, to command, to co-ordinate and to control.”
3. **George Terry** defines “Management is a distinct process consisting of planning, organizing, staffing and controlling performed to determine and accomplish stated objectives by use of human being and other resources”.
4. **Harold Koontz** states : “Management is the art of getting things done through and with People in formally organized groups”.

1.2 MANAGEMENT - CHARACTERISTICS

The important characteristics of management can be explained as follows:

1. Management is a process–

Managers have to perform certain functions in their day to-day activities. It is a process of planning, organizing, directing and controlling. To achieve objectives managers have to plan the activities, and then organize the necessary resources required for activities, direct the subordinates and finally control the activities of subordinates.



2. Management is a continuous activity-

Management process starts with business establishment and continues up to the end of the business. Management is required for day to-day functioning of the organization. It is a continuous process, as it continues till business survives.

3. Management requires group efforts-

Management requires group efforts from all the people working in the organization. It is a team work to achieve common organizational objectives. So it involves integration of group behavior so that human efforts can be directed towards achievement of common objectives.

4. Management is goal oriented-

Targets and results are important in management. The managerial activities are carried on to achieve objectives. It requires actions for better results. The results can be in terms of higher productivity, optimum use of resources, motivated staff, etc.

5. Management is all pervasive-

Concept of management is pervasive in nature i.e. applicable everywhere. It is used in business as well as non-business organizations like educational institutions, charitable trusts, etc. The principles of management are applicable at all the levels, departments, employees in the organization.

6. Management is intangible-

Management activity is not visible. One cannot see management but the presence of management can be felt and experienced. Effectiveness of management is reflected in form of higher profitability, unity in organization, corporate image of the organization, etc.

7. Management is separate from its ownership-

Management and ownership need not be the same. In large organizations, shareholders are the owners and managers are carrying on management functions.

8. Management is dynamic-

Management requires creativity and innovation. Managers need to introduce new products, new cost effective processes, new ideas, etc. Dynamic and creative managers bring success to the organization.

9. Management follows well established principles-

While carrying on management activities, managers need to follow well established principles. These principles are division of work, unity of command, unity of direction, discipline, etc.

10. Management is an Art-

Management is an art as it involves getting things done through people. Art is inborn talent and requires skills. Managers as an artist need to be creative and should have skill to get the work done through people to achieve organizational objectives.

11. Management is a Science–

Management is a science as it follows well established principles which are universally applicable. Management is a social science as it deals with people.

12. Management follows professional approach-

Modern managers need to follow professional approach. Professional managers delegate authority, involves subordinates in decision making, invites suggestions from subordinates, etc.

13. Management is aided but can't be replaced by computers-

Computers cannot replace managers. The talent, skill, creativity and experience of managers are not available in computers. But computerized data will definitely help the managers to take quick decisions.

14. Management is an integrated process-

Management is an integrated process of 6 'M's. 6 'M's includes **Men, Material, Machine, Money, Method and Market**. Managers need to combine all these resources effectively to achieve objectives.

15. Management is situational-

Management decisions vary from situation to situation. Business is subject to environmental changes. Managers need to respond these changes by making necessary changes in their decisions. Managers can not follow same decision in all situations.

Check your Progress :

1. Professional managers delegate -----.
2. Management is separate from its -----.

Explain :

1. Management is aided but can't be replaced by computers.
2. Management is all pervasive.

Answer the following :

1. Why management require group efforts ?
2. How management vary from situation to situation ?

1.3 MANAGEMENT – AS SCIENCE, ART AND PROFESSION

1.3.1 – MANAGEMENT –NATURE :

Implementation of Management through different ways in life goes back to the days of human civilization. Ancient civilizations of Indus-valley, Rome, Greece, construction of Indian temples, TajMahal, Egyptian monuments, old churches, different properly working utilities and systems, etc. substantiate the practice of management since the archaic times. Thus, management has been practiced for thousands of years.

Management in a systematic way as an academic stream has been recognized in recent times, since last few decades. It can also be thought of as the phenomenon of industrial revolution as well. As a result, management is said to be “oldest of the arts and youngest of the sciences”. But the science part of it ‘the systematic body of knowledge’ is an outcome of the present century.

Considering Management purely as Science or Art or Profession lies on everyone’s conceptions of looking at it as still there is vagueness whether management is a science or art or profession.

1.3.2 – MANAGEMENT AS SCIENCE :

Science is a systematic body of knowledge which is universally accepted and applied. Management is considered as a science which deals with cause and effect relationship, F. W. Taylor is considered as father of scientific management.

There are two types of sciences i.e. Physical Sciences and Social Sciences. Physical Sciences like Physics, Chemistry, Mathematics, etc. are exact in nature whereas Social Sciences are not exact sciences.

Management is a social science as it deals with people. As people’s behavior cannot be predicted accurately, results of management are variable in nature.

Due to following reasons management is a social science:

1. Principles of management are universally applicable.
2. Management is systematic and organized body of knowledge.
3. Management results are not identical but variable in nature.
4. Management uses scientific methods for decision making.
5. Management process is universally followed.

1.3.3 – MANAGEMENT AS AN ART :

Mary Parker Follet defines management as, “Management is an art of getting things done through people.”

Art is an inborn talent and creative skills which are required by managers to conduct managerial activities.

Due to following reasons management is an art:

1. Innovative–

Managers need to be innovative in nature. They have to always introduce new ideas, new techniques, new methods, etc. for better results.

2. Initiative–

Managers have to take initiative to do the right things at right time. They should also encourage initiative on the part of their subordinates.

3. Individual approach–

Every manager should follow his own style of managing the activities. The style should also change from situation to situation.

4. Intelligence–

Managers should be intelligent in all the areas of their operations. They should be more intelligent than their subordinates.

5. Creativity –

Managers should be creative enough. They should follow the latest techniques to get the things done through their subordinates.

6. Result oriented–

Management is a result oriented activity. Managers should conduct management activities to achieve objectives like higher productivity, higher profitability, etc.

1.3.4 - MANAGEMENT AS A PROFESSION :

Profession is an occupation carried on by professional people like doctors, lawyers, chartered accountants, etc. There is a debate whether management is a profession or not.

Following are the features of profession:

1. Formal education–

There are specialized institutions that provide formal education required for a specific profession.

2. **Qualifications**–

The professionals require possessing specific qualifications to enter in to profession.

3. **Specialization**–

The professionals need to specialize in a particular field.

4. **Code of conduct**-

The professionals have to follow code of conduct prescribed by their institution.

5. **License**–

The professionals obtain a license to practice their professional activities.

6. **Fees**–

Professionals charge fees to their clients for services rendered by them.

7. **Social obligation**–

The professionals are socially responsible to their clients and to the society.

8. **Independent office** –

Generally professionals practice through their own independent offices.

Management does not have all the above mentioned features but management can be considered as profession due to some common features:

1. Managers need to have expert knowledge.
2. Managers specialize in certain areas.
3. Managers are socially responsible to the workers, shareholders, creditors, banks, society, etc.

From the above discussion we can conclude that management is not a true profession but it has some features of profession. Modern management follows professional approach in their activities.

Check your Knowledge :

1. Management achieves optimum use of resources - explain.
2. Characteristics of Management as a Social Science.

Define :

1. Management as an Art.
2. Profession.

Answer the following :

1. Why management is called as an art ?
2. Which are the features of Profession ?

1.4 LEVELS OF MANAGEMENT AND MANAGEMENT SKILLS

1.4.1 - LEVELS OF MANAGEMENT :

In every organization, managers are responsible for the work of others. The primary task of them is 'getting the things done by other people'. Nevertheless there are variations in terms of authority and responsibility held by each manager. These variations are the resultants of the different levels of management in organisation. Management profile requires many skills and talents in light of the scope of authority and responsibility.

All the people in the organization do not belong to the same level of the organization.

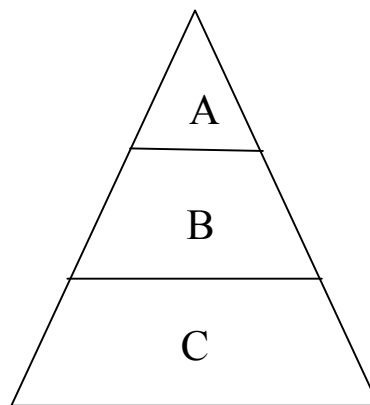
There are three levels of management in the organization. These levels are i) Top level ii) Middle level iii) Lower level.

The three levels of management can be explained with the help of pyramid as a matter of custom and convenience:

A) Top level

B) Middle level

C) Lower level



A) Top level management :

It includes the CEO, President, Vice-president, etc. They are involved in long term planning. They require more conceptual skills.

Functions:

- i) Determining business objectives
- ii) Formulation of plans and policies
- iii) Arrangement of required resources
- iv) Controlling activities of all the departments
- v) Reporting to the Board of Directors regarding organizational performance.

B) Middle level management :

It includes all departmental managers like Production Manager, Purchase Manager, Sales Manager, Marketing Manager, etc. They are involved in medium term planning.

Functions:

- i) Implementation of policies formed by top level management
- ii) Motivating staff for better performance
- iii) Directing to lower level executives
- iv) Controlling the activities of lower level executives
- v) Reporting to top level management regarding departmental performance.

C) Lower level management :

It includes supervisors, foreman, etc. They are involved in short term planning. They require more technical skills.

Functions:

- i) Controlling the performance of workers and employees
- ii) Motivating personnel for better performance
- iii) Reporting to middle level management for day to-day performance
- iv) Directing the subordinates
- v) Framing of day to-day plans.

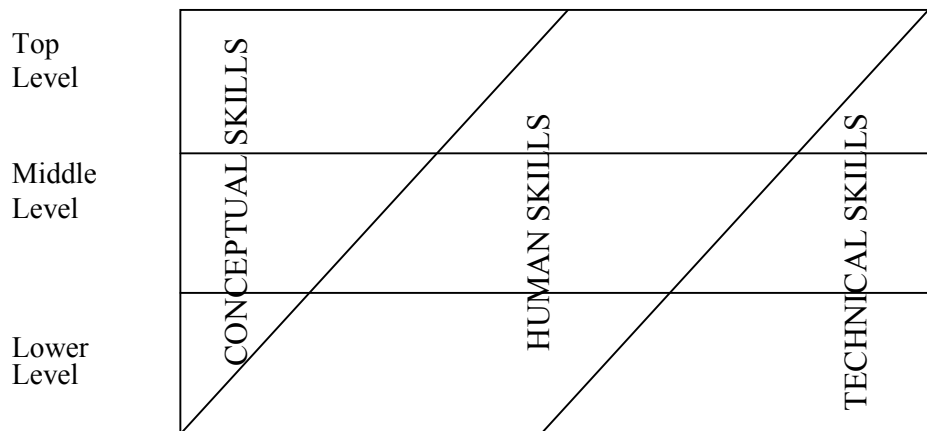
1.4.2 –MANAGEMENT / MANAGERIAL SKILLS :

The concept of managerial skills was first developed by Henry Fayol. Afterwards this concept was popularized by Prof. Robert L. Katz.

Katz has classified managerial skills into three groups:

- i) Conceptual skills
- ii) Human skills
- iii) Technical skills

All the skills are required at all the levels of management. But their degree of requirement differs from one level to another level. This can be explained with the help of following diagram:



i) Conceptual skills:

These skills are required more by top level managers. These skills help the managers to understand the problems and situations. So these skills are more used in planning and policy making.

ii) Human skills:

All the managers at all the level require these skills. These are interpersonal skills i.e. to interact with other persons in the organization. These skills are more used for effective communication, motivation, team work, etc.

iii) Technical skills:

These skills are mainly required by lower level managers. These skills help the managers to undertake day to-day operations. These skills are more used for directing and controlling day to-day activities in the organization.

In reality, the above mentioned three types of important skills are not mutually exclusive as the management job always requires all the three skills, but in different proportions depending upon the level of management.

There is a gradual shift in the weightage of such skills from the bottom to the top of the pyramid as per the level of management. Technical skills and human skill are always vital for the lower level of management as the productive processes and operations are carried out at lower level of management. Most of the employees or workers work at that level, where the actual action takes place. On the contrary, the need for conceptual skill is greatest at the top level of management. Top managers are not often involved in the direct application of specific methods, procedures and techniques, compared to those at the lower levels of management.

At the Lower level of management, i.e. at the entry level of management, a manager has to possess human skills and the problem-solving skills (conceptual) besides technical skills. To climb up the organizational ladder, one must not only be good at the skills required for the present job, but also be acquaint with and learn the skills required at the next level. Consequently he/she would feel comfortable and discharge the responsibilities with ease at the times of promotion to the next higher levels.

Organizations analyses the training needs of the managers based on the differences in the type of skills required. Appropriate training, development methods and programs are designed to equip them with the skills required at the respective levels accordingly. Nevertheless, each of these skills is required at some extent at every level of the management. In the event of Top Management personnel lacking in technical skills, compensate the lack of that skill through superior creative ability and skills in identifying the talent and empowering the people through effective human resources development practices and good leadership.

Apart from these important skills, manager should possess other skills as follows:

1. Decision making skills:

These skills are required at all the levels to take appropriate decisions. As managers are decision makers, they should have these skills.

2. Communication skills:

Every manager should have these skills to communicate effectively with other managers, subordinates, superiors, etc.

3. Leadership skills:

Good managers should be good leaders. They should follow right type of leadership style to lead their subordinates. Leadership skills are required to get the things done through subordinates.

4. Administrative skills:

Good managers need to be good administrators. They should have ability to frame plans and policies. They should be able to facilitate co-ordination among all the activities conducted in the organization.

5. **Design skills :**

It refers to the problem solving skills. Managers should not just identify a problem but devise the best solution to solve the problem.

Check your Progress :

1. Medium level of management has ----- term planning.
2. ----- skills are mainly required by the Lower level of managers.

Explain :

1. Functions of Top level management.
2. Conceptual skills.

Answer the following :

1. What is meant by Decision making skills ?
2. Which functions are carried out by Lower level of management ?

1.5 DEVELOPMENT OF MANAGEMENT THOUGHTS

1.5.1 – INTRODUCTION :

The classical school includes three theories:

1. The Scientific Management Theory.
2. The Administrative Management Theory.
3. The Theory of Bureaucratic Organization and Management.

1.5.2 - SCIENTIFIC APPROACH :

A) Foundation of Scientific Approach :

Fredrick Winslow Taylor (1856-1915) -

The Scientific Management Theory owes its origin to F.W. Taylor, who is regarded as the father of scientific management. Taylor's primary concern was to increase productivity through greater efficiency in production and increased pay for workers, through the application of the scientific method. Taylor's followers include Henry Gantt, Frank and Lillian Gilbreth and Harrington Emerson.

B) Principles of Scientific Management :

Taylor's Scientific Management was based on the following principles:

1. **Development of true science of management** – so that the best way or method of performing each task can be identified.

2. **Scientific selection of workers** – so that the right work can be assigned to the right worker depending upon his abilities and skills.
3. **Scientific training and development of workers** – so that the knowledge, attitudes and skills of the workers get improved, which in turn would improve their efficiency.
4. **Close cooperation between management and workers** – so as to bring harmony and to develop team spirit among the members of the organization. Taylor advocated complete “mental revolution” on the part of management and workers. In other words, both management and workers should develop a positive attitude towards each other.
5. **Maximum output in place of restricted output** – so that the workers are benefited by way of profit sharing or increased pay. Taylor believed that management and labor has a common interest in increasing production.
6. **Divisions of work** – so that each worker concentrates on one function and specialize in that function so as to improve the efficiency of the individual worker and that of the organization as a whole.

C) Techniques of Scientific Management :

In order to put the principles of scientific management into practice, Taylor and his followers developed the following techniques :

1. Performance Standards–

Taylor felt that the performance standards were fixed not on any scientific basis but on the basis of rule of thumb or the amount of work done by an average worker. Taylor introduced ‘time studies’ to fix performance standards. Predetermined standards were laid down in respect of time, cost, and quality of work performance, so as to ensure uniformity of operations and to facilitate comparisons of efficiency.

2. Differential Piece Rate System–

Taylor advocated the differential piece rate system.

Under differential piece rate system, two piece rates were laid down:

- Low wage for those workers who fail to achieve the standard output.
- Higher wage rate for those workers who achieve or exceed the standard output.

According to Taylor, due to differential piece rate system, the inefficient workers would try their best to improve their efficiency and the efficient workers would be motivated to maintain or enhance their output above the standard.

3. Functional Foremanship–

Taylor advocated “functional foremanship” under which as many as 8 foremen were required to supervise the workers job. He was of the opinion that one supervisor cannot be an expert in all aspects of supervision work. Taylor’s functional foremanship consists of two groups of supervisors:

I. At the Planning Level:

Taylor advocated separation of planning from doing. Therefore, at the planning level, he suggested four foremen –

- **Disciplinarian** – to enforce rules and regulations and to maintain discipline.
- **Instruction Card Clerk** – to prepare instruction cards relating to work activities.
- **Route Clerks** – to lay down sequence or path of operations.
- **Time and Cost Clerk** – to decide about the time and cost relating to each job.

II. At the Shop Level:

At the work-shop level, Taylor suggested four foremen to supervise the workers.

- **Repair Boss** – to ensure proper repairs and maintenance of the tools and machines.
- **Inspector** – to ensure that the workers perform the work as per the standards.
- **Gang Boss** – to arrange and assemble the necessary machines and tools.
- **Speed Boss** – to ensure proper speed of work so that the work is done on time.

4. Mental Revolution–

Taylor advocated the concept of “Mental Revolution” in the interests of the managers and that of the workers. He advocated that there should be positive attitude on the part of the management towards the workers and on the part of the workers towards the management. The positivity would result in close cooperation between the management and the workers, which in turn would increase productivity and profits.

5. Time Study–

Taylor suggested the use of time study to lay down standard for each day's work. The time study involves analysis of each element of a job and then recording of the time taken in performing each element of job. Through proper time study, the management can fix proper standard for workers for a certain period of work, say an hour or a day.

6. Fatigue and Motion Study–

Frank and Lillian Gilbreths (the husband and wife team) made significant contribution to scientific management by way of fatigue and motion studies. Through fatigue and motion studies, they were in a position to locate and eliminate unnecessary and wasteful movements on the job.

According to the Gilbreths, fatigue and motion were interlinked. Every motion that was eliminated reduced fatigue. Using motion picture cameras, they tried to identify the most economical motions for each job in order to improve performance and reduce fatigue. The Gilbreths first studied the motions of bricklaying workers and after identifying wasted motions, reduced the bricklaying motions from 18 to 5, thus improving the bricklayers' productivity. The Gilbreths advocated that motion study would raise workers' morale because of physical benefits and since it showed management's concern for the workers.

The Gilbreths also concluded that, it is not the monotony of work that causes so much of worker dissatisfaction, but rather management's lack of interest in workers.

7. Gantt Charts–

Henry Gantt developed a charting system for production scheduling. The Gantt chart showed time relationships between "events" or "supporting plans" of a production program. Gantt recognized the fact that the total production program should be regarded as a series of interrelated supporting plans or events that people can understand and follow.

The Gantt chart formed the basis of two charting devices, which were developed to assist in planning, managing and controlling complex organizations as :

- i) The Critical Path Method (CPM)
- ii) The Program Evaluating Review Technique (PERT)

D) Evaluation of Taylor's Scientific Management :

Taylor's scientific management was responsible for improvement of production efficiency leading to better working conditions and compensations to the employees. However, Taylor's scientific management has been criticized by the workers, trade unions and even employers.

The main criticisms are:

1. Exploitation of Workers–

Critics point out that the “speed up” conditions placed undue pressures on employees to perform the work at fast levels. The emphasis on productivity and profitability led some employers to exploit workers. As a result, more workers joined unions, which resulted in mistrust between the management and the workers.

2. Mechanical Approach–

Taylor’s approach has been criticized as mechanical approach. Taylor placed too much emphasis on efficiency without considering the human element. Taylor considered workers as robots who could speed up the work at any cost.

3. Wrong Assumptions–

Taylor and his followers assumed that workers are motivated merely by monetary gains. In fact, it is not just wages that motivates a worker to perform better, but workers have social and ego needs as well that can motivate them to perform better.

4. Individualistic Approach–

Taylor’s scientific management places too much emphasis on individual performance rather than group performance. Nowadays, the success of an organization does not depend just on individual performance of workers, but also on group performance of workers. It is obvious that informal work groups and work teams can be very effective in improving work efficiency as well as gaining job satisfaction.

5. Narrow Applicability–

Taylor’s scientific management can at best be applied only for factory management, where the performance can be measured quantitatively. There are number of cases, such as in services, where the performance of a person cannot be measured in quantitative terms. For instance, the performance of a teacher cannot be measured in terms of number of hours engaged and the completion of subject matter, but by the quality of teaching and benefit to the students.

6. Problem of Separation of Planning from Doing–

Taylor advocated separation of planning from doing. In real practice, one cannot separate planning from doing. The planners should also be engaged in doing, and then only they will be able to frame realistic plans and policies for the organization.

7. Problem of Unity of Command–

Taylor advocated functional foremanship, where the workers have to report to eight functional heads. This violates the principle of unity of command, where the workers are supposed to report to only one supervisor and not to several bosses. Lack of unity of command can create confusion and chaos in the organization.

1.5.3 – ADMINISTRATIVE SCHOOL :

The Administrative Management School also called as the ‘Management Process School’, regards management as ‘the process of getting things done through people as members of work-groups rather than as individuals’.

The first advocate of administrative management theory was Henry Fayol (1841-1925), regarded as the “Father of Modern Management”. Apart from Fayol, there were other management thinkers who contributed to the Administrative Management Theory, such as Mary Parker Follet, Luther Gulick, Lyndall Urwick, Earnest Dale, James Mooney, Oliver Sheldon, Hawthorne, Elton Mayo, etc.

A) Principles of Management :

Henry Fayol developed the concept of administration. His principles were based largely on his own experience. The 14 principles of management advocated by him were discussed in detail in his book published in 1917, ‘Administration industrielle et generale’. It was published in English, titled ‘Industrial and General Administration’ in 1949 and is widely considered as the foundational work in classical management theory. Some of the principles are :

- Division of work
- Authority and Responsibility
- Discipline
- Unity of Command, etc.

B) Business Activities :

Fayol also gave a classification of business activities, which include:

- Technical (manufacturing of goods)
- Commercial (buying and selling of goods and services)
- Financial (obtaining and application of funds)
- Accounting (recording of business transactions and statistics)
- Security (protection of persons and property) and
- Managerial Activities.

C) Management Functions :

According to Fayol, the managerial activities were mostly neglected in the business organizations in those days and therefore he focused on administrative management.

Fayol identified five functions of management, which include:

- Planning
- Organization
- Commanding (Directing)
- Coordinating and
- Controlling.

D) Managerial Qualities and Skills:

Fayol also identified certain 'Qualities and Skills' required by the managers to perform their managerial tasks. The managerial qualities and skills include:

- Physical qualities (good health and vigour)
- Mental qualities (good judgment and analyzing)
- Moral qualities (such as loyalty, integrity and dignity)
- General education
- Special knowledge (relating to a particular function / field)
- Experience (knowledge and skills acquired from acquaintance with the job)

E) Critical Evaluation :

Fayol's administrative management theory – principles and functions are universally used even today in managing organizations. However, this theory has been criticized on the following grounds:

1. Management Oriented Theory–

The administrative management theory is management oriented. It does not give much attention to the problems of the workers.

2. Lack of Emphasis on Informal Organization–

The administrative management theory does not place any emphasis on informal organization or groups. It places emphasis only on the formal organizational structure.

3. Concepts Borrowed from Military Science–

Some of the concepts of administrative management theory were borrowed from military science and then an attempt has been made to apply such concepts to social and business organizations. For instance, Fayol placed emphasis on the function of 'Commanding' rather than 'Directing' the subordinates.

4. Mechanical Approach–

The administrative management theory is more of a mechanical approach and it does not deal with some of the important dimensions of management such as motivation, communication and leading.

F) Hawthorne Studies / Experiments :

The human relations movement began with the Hawthorne experiments which were conducted at Western Electrical Works in USA between 1924 and 1932. The Hawthorne experiments were conducted in four parts as follows:

Part I – Illumination Experiments (1924-1927) : From 1924-27, the National Research Council made a study in collaboration with Western Electric Works to determine the effect of different levels of illumination on the productivity of labours. The experiment involved the prolonged observation of two groups of employees making telephone relays. The intensity of light under which one group worked (test group) systematically varied while the light was held constant for the second group (control group).

The researchers found that the productivity of the test group improved with an improvement in lighting conditions and surprisingly it even improved, when the lighting conditions were worsened. To complicate further, the productivity of the control group also rose, even when there were no changes in the lighting conditions. The researchers concluded that something besides lighting was influencing the workers performance.

Part II – Relay Assembly Test (Room Experiment) (1927-29): In this experiment, Elton Mayo and his associates were involved. Two groups of six female telephone relay assemblers were made. Each group was placed in separate room and a number of variables were altered – wages were increased; rest periods of varying length were introduced; the workday and work week were shortened. The researchers, who now acted as supervisors, also allowed the groups to choose their own rest periods and members of their own groups as well as to involve in decision making regarding suggested changes.

Performance tended to increase over the period but it also increased or decreased unevenly. Productivity and morale of the group increased consistently during the period of the experiment. The researchers also observed that even when the improvements in physical working conditions were withdrawn, productivity and morale of the group were maintained. The researchers concluded that the socio-psychological factors such as small informal groups, non-directive supervision, participation in work matters, etc. were responsible for improvement in productivity.

Part III – Mass Interviewing Program (1928-31): Mayo initiated a three year long interviewing programme in 1928, covering more than 21,000 employees to find out the causes for increased productivity. The emphasis of the phase was on human relations rather than on working conditions. The point demonstrated by this interviewing programme is central to the human relations approach.

For the first time, the importance of the informal work group was recognized. Then, the bank wiring room experiment was set up in order to find out how informal work groups operate. This program indicated that productivity could

be increased, if people are allowed to talk freely about matters that are of importance to them.

Part IV – Bank Wiring Observation (Room Experiment) (1932): In this experiment, 14 male workers were formed into a work group and were intensively observed for 6-7 months in the bank wiring room, engaged in the assembly of terminal banks for the use in telephone exchanges. The employees were paid individual wages and a bonus based on group effort.

It was expected that highly efficient workers would put pressure on others for increased output and high bonus. However, the expected results did not appear and the group established its own standard output and developed specific mechanisms to protect themselves from the social pressure which were based on certain sentiments.

Work group norms, beliefs, sentiments had a greater impact in influencing individual behaviour than did the monetary incentives offered by the management. Thus, the Hawthorne Experiments indicated that employees were not only economic beings but social and psychological beings as well.

The researchers concluded that employees would work better had they believed that the management was concerned about their welfare and supervisors paid special attention to them. This phenomenon (subsequently labeled the Hawthorne effect) has remained quite controversial till today.

G) Conclusion of the Hawthorne Experiments:

1. The **social and psychological factors** are not just monetary incentives but physical working conditions are responsible for workers' productivity and job satisfaction.
2. The **informal and interpersonal relations** among workers influence the workers behaviour and performance more than the formal relations in the organization.
3. Employees would perform better when they are given **freedom to participate in decision-making** affecting their interests.
4. Employees would also work more efficiently, when they believe that the management is concerned to **employees – welfare**.
5. When employees are treated with **respect and dignity**, their performance tends to improve significantly.
6. **Effective communication** between the superiors and subordinates can improve the relations and overall productivity of the subordinates.

H) Criticisms of Hawthorne Experiment:

The Hawthorne experiments and the human relations approach has been criticized on the following grounds:

1. **Lacks Validity–**

The Hawthorne experiments were conducted under controlled situations and as such, the findings cannot be justified in real setting. The workers under observation were conscious of the experiments and therefore they may have improved upon their performance, which may not be so in real situation.

2. **Too much Emphasis on Human Aspects–**

The Hawthorne experiments placed too much emphasis on human aspects. In real situation, it is not just human aspects that can improve the productivity, but also the technical and technology aspects that can have an impact on the workers performance.

3. **Too much Emphasis on Group Decision Making–**

The Hawthorne experiments placed too much emphasis on group decision – making. In real situation, individual decision making cannot be totally neglected, especially when quick decision need to be made. Research evidence on the superiority of group decision-making to individual decision-making is conflicting and inconclusive.

4. **Over Emphasis on Freedom to Workers–**

The Hawthorne experiments placed over emphasis on freedom to the workers. It does away with the constructive role of the supervisors. However, too much of freedom to the workers may lower down the performance or productivity of the workers.

5. **Shortsighted-**

The following points confirm the shortsightedness of this approach: (i) it lacks adequate focus on the work, (ii) human relations tend to neglect economic dimensions of work satisfaction and (iii) human relations research is concerned with only operative employees but not managerial and supervisory personnel.

6. **Total Work Environment is not considered-**

Work environment comprises of organizational structure, its culture and climate, labour - management relations, social environment, etc. But the human relations approach considered only social environment as the total work environment.

1.5.4 – BEHAVIOUR SCHOOL :

A) **Introduction :**

Behavioural science approach is an extension of the human relations approach. Elton Mayo and his associates developed the use of the scientific method in their studies of human resources in the work environment. Later researchers, like Abraham Maslow, Douglas McGregor and other used more sophisticated research methods and

became known as 'behavioural scientists' rather than 'human relations theorists'.

The behavioural science approach also known as 'human resource approach' placed emphasis on the behaviour and performance of individuals and groups in organizations. The behavioural scientists brought two new dimensions to the study of management and organizations:

- They advanced more sophisticated view of human beings and their needs and motives, as compared to Elton Mayo. For instance, Abraham Maslow in his 'Theory of Hierarchy of Human Needs' advocated 'self-actualization needs', apart from other needs.
- They also applied the methods of scientific investigation to determine the group behaviour of people in organizations.

B) Basic Assumptions and Propositions of Behavioural School of Thoughts :

- Organizations are social as well as technical systems and it is the responsibility of the management to integrate the two.
- There are a number of factors that influence interpersonal behaviour of people and work in an organization.
- Employees are motivated not only by physiological needs but also by social and psychological needs.
- Individuals differ in perceptions, attitudes, needs and values. These differences must be identified and recognized by management.
- Conflict in an organization to a certain extent is inevitable and even desirable in certain cases. Conflict and cooperation can co-exist in an organization.
- There should be a fusion of personal goals and organizational goals in an organization.

C) Contributions of Behavioural Scientists :

Abraham Maslow, Douglas McGregor, Chester Barnard, Fredrick Herzberg, Victor Vroom and others made significant contributions to the behavioural science approach. The main contributions are as follows:

- Human beings have several needs. Some are lower-level needs like physiological needs, safety and security needs and social needs, which are to be satisfied first; other are of the higher-level like ego needs and self-actualization needs, which can be satisfied after satisfying lower-level needs. (Abraham Maslow's Hierarchy of **Needs Theory**, 1943)

- There are various patterns of communication in an organization, which are vital for the performance of the organization. (James March and Herbert Simon)
- Managers can have different assumptions of people depending on situation. Douglas McGregor's '**Theory X**': Managers may have traditional assumptions about the nature of people – such as human beings hate to work and therefore they must be coerced, controlled, directed and threatened with punishment to make them work. '**Theory Y**': Managers may have positive assumptions of people such as people love to work as play or rest and that they can exercise self-control and self-direction.
- People will be motivated to do things to reach a goal, if they believe in the worth of that goal and if they can see that what they do – will help them in achieving it. The expectancy theory suggests that the motivation or inclination to act in a certain way depends on the intensity of the desire of the employee for a given outcome and on the attractiveness of such an outcome. There are three variables in the expectancy theory as : **Attractiveness, Performance –Outcome Linkage and Effort -Performance Linkage** (Victor Vroom's – **The Expectancy Theory of Motivation, 1960**)
- There are several factors that influence behaviour and work of people in an organization. Herzberg named the factors related to job satisfaction as **motivators** and those related to job dissatisfaction as maintenance factors or **hygiene factors**. (Herzberg's –**Two Factor Theory, 1950**)
- If 'Motivators' such as job, recognition, achievement, challenging work, responsibility, growth and advancement, etc. exist in a work environment, then they would result in satisfaction and motivation. The set of motivators are related to the nature of work and are intrinsic to the job itself. These factors positively contribute for satisfaction and increase performance.
- If 'Hygiene factors', such as wages and salary, company policies and practices, interpersonal relations with peers, superiors and subordinates, working conditions, job security, etc. exist in a work environment then they would result in no dissatisfaction, but not motivation. Unlike motivators, hygiene factors do not motivate employees. However, they prevent dissatisfaction and try to maintain status quo. They do not contribute for growth but prevent loss. The absence of these factors may lead to job dissatisfaction which the organization cannot afford. The elimination of dissatisfaction does not mean satisfaction.
- The tasks of executives or managers are to maintain a system of cooperative efforts in a formal organization. (Chester Bernard)

1.5.5 –SYSTEMS APPROACH :

A) Introduction :

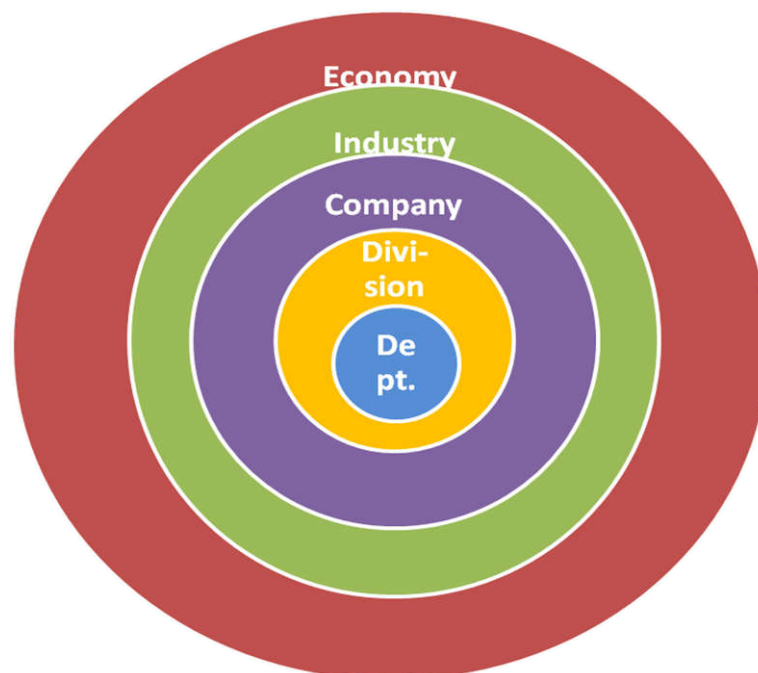
The systems approach views the organizations as a unified, purposeful system composed of interrelated parts. In this approach, the managers look at their organization as a whole and as a part of the larger external environment. The focus of the systems approach is that the managers in an organization cannot function only within their department but they also have to communicate and interact with other departments and also within representatives of other organizations.

The systems approach to organization and management appeared around 1960. Some of the important contributors to the systems approach include Robert Katz, Daniel Katz, Robert Kohn, W.G. Scott and Ludwig von Bertalanffy.

B) Some Key Concepts :

Sub-systems–The part that make up the whole of a system are called subsystems. Also, each system can be a subsystem of a still larger whole. For instance, a department is a subsystem of a division and a division is a subsystem of a company and a company is a subsystem of an industry and industry can be a subsystem of an economy.

Synergy–It means that the whole is greater than the sum of its parts. In an organization, synergy can exist among departments and employees in an organization. When individuals and departments cooperate and interact, they become more productive than if each of them were to act in isolation.



C) Open and Closed Systems :

A system is considered as an open system if it interacts with its environment. And a system is considered as a closed system if it does not interact with its environment.

D) Organization as an Open System :

All organizations interact with their environment, but the extent to which they do so differs. A business organization is a part of a larger system, i.e., society. A business organization gets its inputs from society such as manpower, materials, money, etc. and supplies its output (in the form of goods and services) to the society.

A business organization cannot operate in isolation. It needs active support from members of the society to conduct its business activities. For instance, it needs resources such as finance from investors and financial institutions; it needs traders to distribute its goods and services to final consumers and it also needs the support of consumers to consume its goods and services.

1.5.6 – CONTINGENCY APPROACH :**A) Introduction :**

Contingency approach is also referred as “situational approach”. According to the contingency approach, certain techniques may also work well in a certain situation and not in all situations. The management’s task is to identify that technique, which will work well in a particular situation. Decisions must be situation-adaptive and situation specific. The nature of the situation or problems determines the method or technique that can be used to deal with it. A technique or method that is good for a particular situation may not be good in different situation. In other words, there is no one best way of doing things, which is universally applicable to all situations.

B) Contingency Approach and Commonsense :

According to contingency approach, there is no ‘One best way’ of doing things. The same situation may be effectively handled differently by two different persons or even by the same person at different times. Management needs to adopt a particular technique to handle a particular situation. The contingency approach may appear to be a matter of commonsense, but in reality it is much more than commonsense due to:

- The management must have a thorough analysis and understanding of each situation.
- The management must then find out the various techniques or methods that can be used to deal with the situation or problem.
- Each technique may then be examined to find out whether or not it will be able to deal with the problem.

- After proper examination of each technique, the management must select the best possible technique that can deal with the situation.
- The management must then implement the technique or method to deal with the situation or to solve the problem.
- The management may also review the performance of the technique or methods to find out whether or not the problem is getting solved or not, and if not, the management may modify the technique or adopt another technique to deal with the situation.

C) Evaluation of Contingency Approach:

Contingency Approach is useful to managers in a number of ways. It cautions managers that there is no 'One best way' of doing things. Managers have to find out the best possible methods or technique to solve a particular problem or to deal with a particular situation. The utility of contingency approach to management can be cited in a number of cases. Some of them are as follows:

- It guides managers to select a particular leadership style depending upon a particular situation. In other words, it makes managers to adopt situational leadership style rather than following a particular leadership style in all situations.
- It helps management to adopt appropriate motivational packages for the employees in the organization. Proper weightage is to be given either to monetary incentives or to non-monetary incentives depending upon the nature of the employees and their needs and expectations.
- It helps to resolve the conflict between the manager and the employees in the organization. Depending upon the nature of the conflict, the management may adopt a particular technique to solve the conflict.
- Managers can also delegate authority to their subordinates depending upon the nature of the work and the situation. Before delegating authority, the managers should analyze the nature of the subordinates and also the situation or the activity that needs to be delegated.
- The contingency approach can be useful to management in dealing with the managerial process. i.e. planning, organizing, directing and controlling of activities. The management should first analyze the situation and then only undertake the managerial process.
- The management can select the most appropriate form of organizational structure depending upon the situation. For instance, in the case of a number of projects to be undertaken at a time, the organization may adopt the matrix structure.

1.6 EVOLUTION OF INDIAN MANAGEMENT THOUGHTS

1.6.1 – INTRODUCTION :

India has been the land of rich culture and varied heritage and our civilization has given the rest of the world priceless gems such as precious gems and jewels like Kohinoor; innumerable forms of arts; musical instruments like flute, sitar, tanpura, veena, etc.; preaching of wisdom by plenty of knowledge schools from education institutes like Gurukul, world's first university, classical philosophy, abundant classic literature, diversity of poetry, etc.; ayurveda, ayurvedic medicines, therapies like Panchakarma, Litch therapy, and ayurvedic surgeries like cataract, plastic surgery; Homeopathy, varied range of treatments and therapies, Naturopathy, Unani therapy, Siddha therapy, Yoga; Sanskrit; many mathematical inventions like Vedic math., the number zero, Binary system, Fibonacci numbers, trigonometry, etc.; many physical games like kabbaddi, kho-kho, martial arts as well as mental games like chess, snake & ladder, etc.; variety of yields like basmati rice, turmeric, spices; inks and rangolis (sand floor); discovery of water on moon, astrology and many scientific, mathematical and astronomical insights.

Much of modern management is a common sense approach to doing business and managing people, politics, economics and international relations all of which the ancient Indians did very well without specifically categorizing their practices under the nomenclature of 'Management'. To this end, we have several noteworthy treatises (Arthashastra, i.e. Economics), biographies of kings and rulers (Megasthenes' Indica, Akbar nama of Abu Fazl), references in puranic and vedic literature (Ramayana, Mahabharata, Gita) which indicate in no uncertain terms that the principles of management (PODSCORB) that we refer to today were very much in practice.

India was ruled by many kings who belonged to different ethnic, religious and cultural backgrounds all of which made India extrapolate the humongous demands on the kingship to govern his empire in the most just and equitable manner, taking into consideration the complete personality of all his subjects. While most organizations worldwide are struggling with geopolitical relations and facing so many issues in managing a global workforce, Indian kings and rulers mastered the art of doing this while ruling over a truly heterogeneous population in their times.

There are innumerable instances which prove that many management principles are followed and have been practiced in India since ancient times.

The wealthy contribution to the Management concept by Indian management thinkers such as Birbal, Tenali Rama, Shivaji Maharaj as the old masters of management, modern management thinkers to name few Chanakya, Swami Vivekanand, Swami Dayanand Saraswati, V. K.

Krishna Menon, Amirtya Sen, Nirmalya Kumar, Gurcharan Das, Kiran Karnik, Vineet Nayyar, Nandan Nilekani, Arun Maria, Deepa Prahalad, Professor J B P Sinha, etc. whose monumental works and fundamentals laid the foundation for the development of framework for Indian Management.

However, many of the practices and documented learnings from Indian history stand sound and valid even today in spite of the fact that the demographic, social, societal, political and geographic structure of the world has seen a sea-change. Ultimately management education worldwide is looking to India to help enrich its boundaries with its vast repositories of knowledge on values, ethics and cultural ethos – something that ‘Modern Management’ had not originally included in its framework.

Management is an art and a science – it has the characteristics of both. It is also acquiescent and lends itself to modification and improvement to stay in step with changing times. The relevance of Indian Management thought is being felt deeply today even and is respected and admired by the Ivy League schools of the US and perhaps the time is to dig deep into Indian history and understand why it is in trend so much.

1.6.2 – INSIGHT INTO THE JOURNEY OF INDIAN MANAGEMENT THOUGHTS :

India is multi-cultured, multi-faced and diverse body, which support multiple ethos (code of work). These multiple work-ethos, surpass the usual widely-practiced western management tactics for an effective business execution.

A) Analysis of different Indian Management thoughts:

1. Harmony with environment (Effects of Yoga in management of all dimensions on everyone’s life) –

With the help of YOGA, meditation man (manager) tries to purify himself within, tries to eliminate dust of anxieties; stress and depression from his mind and tries to achieve tranquility so that he can work in present and with more concentration and achieve his targets efficiently.

Thus practicing these activities he truly and not only concentrates on his body and his work, but at the same time man cannot ignore the environment he is living in. As he concentrates on himself to realize his targets, he has to get harmonize with the environment for the same. He has to get adjust with the people around him, his family, his home, his office environment, his boss, subordinates, nature around, etc. So that it would have positive impact on his actions, his mind, ideas will flourish in harmonized environment. He could also maintain healthy and natural lifestyle.

Harmonizing with environment will result into getting along with people, so that managers will not face any opposition in his work, and thus will not get any pressures, depression, stress, jealousy, anxiety, overwork which are route causes of all negative happenings.

2. Self-Control –

Self-control is the ability to make choices about how one behaves and acts rather than relying on impulses. Instead of acting on instinct or immediate impulse, individuals –with self-control pause and evaluate a situation and the consequences that may result from their behavior. By exercising self-control, one can learn to make appropriate decisions and choose behaviors that will be more likely to have positive outcomes.

Self-control is critical for getting along with other people. It's thinking before acting, like looking before crossing the street. Self-control prevents impulsive behavior that may have dangerous or negative consequences.

3. Dharma, Swadharma and Detachment –

a. DHARMA : Dharma is the law of right living, the observance of which secures the double object of happiness in your own life and also the happiness in others life. It stands for all those ideals, purposes, influences, institutions and the ways of life and behavior that shape the character and evolution of man both as an individual and as a member of the society.

The openly spirit, righteousness (godliness), and fearlessness are the three divine elements of Dharma.

Dharma is spirit (or evolves from spirit) in Indian ethos. 'Do right things (Dharman-Chara), do good, be good and the whole chamber of our heart shines with Light of Consciousness'. In dharma, not mere action but rightness is given great emphasis. Dharma stresses fearlessness.

Dharma is ethics and spirituality combined.

b. SWADHARMA : Gita emphasizes that Swadharma (one's duty based on one's swabhava – inclination and aptitude – on the work that falls to one's lot by virtue of one's placement in society) should be carried on for the general welfare of society and as worship of Divine, as our offering to god.

This is applicable in today's business world to support and actively cooperate in the business world and to live with the mother earth, safeguarding her grand ecological balance.

c. DETACHMENT : Detachment is the ability to allow people, places or things the freedom to be themselves. Giving another person "the space" to be him or herself. Detachment is disengaging from an over-enmeshed or dependent relationship with people. It's the

willingness to accept that you cannot change or control a person, place or thing. Developing and maintaining of a safe, emotional distance from someone whom you have previously given a lot of power to affect your emotional outlook on life. It means the ability to maintain an emotional bond of love, concern and caring without the negative results of rescuing, enabling, fixing or controlling. It suggests the ability to exercise emotional self-protection and prevention so as not to experience greater emotional devastation from having hung on beyond a reasonable and rational point. Ability to allow people to be who they “really are” rather than whom you “want them to be.” Ability to avoid being hurt, abused, taken advantage of by people who in the past have been overly dependent or enmeshed with you.

1.6.3 – RELEVANCE OF INDIAN MANAGEMENT THOUGHTS IN THE CURRENT ERA :

Current management models are not holistic as they do not take into account aspects such as liberation, culture, spirituality and deeds (karma). Western theories also do not focus on the higher order purpose of existence. This is where Indian Management/ Bharatiya Management can play a big role. As Indian Management/ Bharatiya Management is rooted in spiritual and cultural ideas, it can plug the gaps in the current management models and create holistic models with a focus on human quality development.

The Indian epic book of Bhagavad Gita portraying Mahabharata has not only guided the personal lives of humans but also has shaped the context of managerial decision-making and building an ethical decision-making ecosystem among Indian professionals. This book posits that the ethical ideology is always adopted at individual level that leads the managers to contemplate the issues and determine the right way to behave and make decisions at a professional level.

Another interesting verse is a book by famous poet Kalidas titled ‘Meghadutam’ (Cloud Messenger). The cursed Yakshya sings hymns as a prayer to the dark clouds of southwest monsoon. Deities of worship in different towns of ancient India from all the religious places comes there, through the prayer by the Yakshya so that the dark clouds will bring rain to the sacred cities and in the process he will be free from the curse. If one is a passionate traveler or a travel planner, it is an interesting read to do itinerary planning and destination marketing.

This book is like a travel guide and lists all places of religious importance that come along the movement of monsoon in India. The students of tourism and travel can learn great lessons of destination marketing from this scripture.

One of the major domain contributions is the paradigm of ‘Customer Satisfaction’. This paradigm has become immense necessary for survival of modern business. The idea of ‘customer Satisfaction’ is explained as the sole goal of the service provider in some famous verse

of medieval period which throws light on how dimensions of service quality are mapped to customer satisfaction through its poetry.

Successfully organizing events as Kumbh-Mela and procedures and functions like dabbawallas has substantiated the victory of Management practices in India since ages.

Many Indian thinkers and strategists of ancient past have proposed concepts, thoughts, processes and strategies that are relevant in today's business environment. The understanding of two diverse areas of ancient Indian wisdom and modern management thought will build an entire new management domain which will guide business managers of tomorrow.

Check your Knowledge:

1. Father of Scientific school of management.
2. Important principles of management by Henry Fayol.
3. Practicing of Yoga plays important role in management.

Define :

1. Performance standards.
2. Fatigue and motion study.
3. Self-Control

Answer the following :

1. Which are the managerial qualities and skills ?
2. Why organization is called as an open system ?
3. How Indian management relate in the current era ?

1.7 FUNCTIONS OF MANAGEMENT

“Management is what management does.” This points out the functional approach to the management. Henry Fayol provided a functional approach to management in his book “Industrial and General Management”.

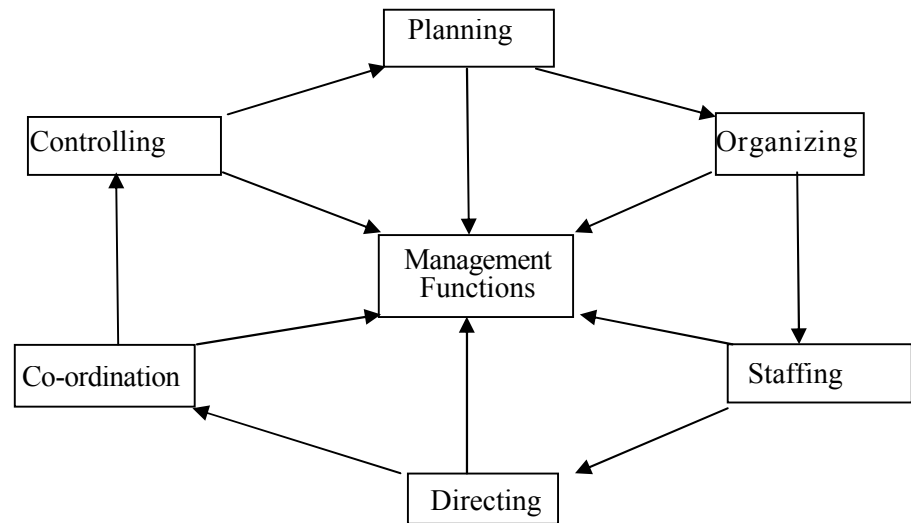
1.7.1 – FUNCTIONS OF MANAGEMENT :

The important functions of management can be explained as follows:

1. Planning–

Koontz and O'Donnell defines planning as, “Planning is deciding in advance what to do, how to do it, when to do it and who is to do it.” Planning is the primary function of management. It is the function of deciding future course of action to achieve desired results. It is the process of deciding what is to be done, who has to do that, when is to do

that and how to do that. Planning provides guidelines for actual work. Planning set the standards against which actual activities are measured.



2. Organizing–

Louis Allen defines organizing as, “Organizing is a process of identifying and grouping of works to be performed, defining and delegating authority and responsibility and establishing relationships to accomplish objectives.” Organizing is concerned with the arrangement of resources in the organization. It involves the decisions about division of work, delegation of authority, etc. It establishes proper superior – subordinate relation ships and facilitates co-ordination of activities in the organization.

3. Staffing–

H. Weirich and H. Knootz define staffing as, “filling and keeping filled, positions in the organization structure.” Staffing function helps to find out right person for the right job. It includes recruitment, promotion, transfer, retirement, job rotation, etc. of the employees.

4. Directing–

Directing involves giving instructions to people and ensuring that they know what is expected of them. It includes three sub-functions:

- i) **Communicating** : It refers to transfer of message from one person to another. Effective communication requires proper feedback so that it is ensured that message is clearly understood.
- ii) **Leading**: Leading is an act of influencing subordinates to work willingly towards the attainment of objectives. A manager has to get work done through people. The success of an organization depends upon quality of leadership of managers.
- iii) **Motivation** : It refers to encouraging and inspiring the people for better performance. It is a process of stimulating people for desired

course of action. Managers should provide monetary and non-monetary incentives to motivate the subordinates.

5. Controlling–

James Stoner defines controlling as, “Controlling is the process of ensuring that actual activities conform to the planned activities.” Controlling involves monitoring of actual performance, finding out deviation if any and taking corrective measures for improvement.

6. Coordinating–

Coordinating refers to interlinking of activities of all the subordinates and departments. There is a need for coordination at all the levels. Co-ordination gives direction to all the departments and develops team spirit. Co-ordination is an essence of management.

1.8 SUMMARY

Management is a vital element or backbone for running and surviving every organization successfully. It’s an art of getting things done through people by synchronizing various processes like Planning, Organising, Staffing, Directing, Coordinating & Controlling the different activities, which are considered as the functions of management.

Management is all pervasive, universal, intangible, innovative, dynamic, integrated & continuous process which succeeds with the goal oriented group efforts involving people’s integration and follows its well established principles.

Management is situational and has multi-disciplinary approach which can be perceived with the aspects of Art, Science and/ or professional approach.

There are three levels of operation of management as, Top; Middle & Bottom which designates its unique functions; for carrying out those smoothly, managers are required to possess specific skills namely : Conceptual, Human & Technical skills.

The management thoughts have been developed with the distinct theories of management like : Scientific, Administrative, Behavioural, Systems & Contingency approach propounded by different management scientists.

Indian management thoughts are very ancient, based on old Indian philosophies, morals, ethics and values. These thoughts go hand-in-hand to run & survive any organization smoothly & successfully subsuming the happiness, peace of mind and job-satisfaction of the members working in it.

1.9 EXERCISES

State whether following statements are True or False :

1. Management is a stand-alone process.
2. Management decisions fluctuate time to time.
3. Every manager has same decision style.

4. Taylor supported the concept of Mental revolution.
5. Planning follows Directing.

Select the most appropriate option from the given :

1. Which among the following is not the principle of management ?
(a) Division of work, (b) Unity of command,
(c) Discipline, (d) None of the above, (e) All of the above
2. Which of the following is 'M' amongst the integrated process of management ?
(a) Manpower, (b) Mapping,
(c) Merchant, (d) Measure issues
3. Following is the workforce of the Middle level of management :
(a) CEO, (b) Sales manager,
(c) Foremen, (d) None of the above
4. Following is not at the shop level supervisor according to Taylor :
(a) Route Clerks, (b) Inspector,
(c) Repair Boss, (d) Gang Boss
5. Following is not the function under Staffing :
(a) Recruitment, (b) Promotion,
(c) Transfer, (d) None of the above

Write short notes on :

1. Management as intangible aspect.
2. Features of management as Science.
3. Managerial skills.
4. Basic assumptions and prepositions of Behavioral School of thought.
5. Sub functions of Directing.

Give brief answers :

1. Why management is called as dynamic in nature ?
2. Why management can be considered as profession ?
3. Why different skills are required at different levels of management ?
4. How ancient Indian concepts relate to today's management thoughts ?
5. Which are the different functions of management ?

Match the columns :

Column 'A'	Column 'B'
i) Planning	a) Arrangement of resources
ii) Organising	b) Monitoring actual performance
iii) Staffing	c) Giving instructions to people
iv) Directing	d) Provides guidelines for work
v) Controlling	e) Find out right person for the job



PLANNING

Unit Structure

- 2.0 Objective
- 2.1 Introduction
- 2.2 Planning
- 2.3 Nature of Planning
- 2.4 Classification and Components of Plans
- 2.5 Essentials of a good Plan
- 2.6 Management by Objectives
- 2.7 Summary
- 2.8 Exercise

2.0 OBJECTIVES

After studying the unit the students will be able to :

1. Understand the concept of Planning.
2. Bring out the Planning with reference to Forecasting, Decision Making and Problem Solving.
3. Know the Nature, Characteristics, Merits and Limitations of Planning.
4. Analyse Classification of Plans.
5. Explain the Components of Plans.
6. Discuss the Essentials of a good Plan.
7. Evaluate the Planning Process.
8. Elaborate the concept of Management by Objectives – (MBO).
9. Know the Importance and Relevance of MBO.

2.1 INTRODUCTION

Planning is a primary function of management. Management process starts with planning of activities. Planning provides directions for activities. Planning is setting objectives and developing appropriate course of action

by formulating the policies and procedures to achieve those objectives. Objectives provide direction for all managerial decisions and actions. It is also known as a Blue-Print of managerial actions.

Planning decides the objectives, duties and responsibilities of all managers at all levels. Ultimately it requires taking decisions as it involves making a choice from alternative course of action. All members need to work towards achieving organizational goals. These goals set the targets which needs to be achieved, eventually against which actual performance is measured.

Planning precedes all other managerial functions. Planning inevitably is forward looking. It is looking into the future. It involves visualizing a future course of action and putting it in a logical way. It provides rational approach for achieving predetermined objectives for a given period of time; formulating various courses of actions to achieve the organizational objective, then selecting the most appropriate alternative amongst the various courses of actions available. Subsequently it leads to forecasting as it is the technique of gathering information. It then facilitates for decision making and also provides direction or guidelines for problem solving. Therefore Planning makes room for Forecasting, Decision Making and Problem Solving. Systematic planning helps in facing the uncertainties of future with less embarrassment. It helps in making things happen in the expected way.

In short we can conclude that planning is nothing but deciding in advance what to do, how to do, when to do, where to do, with whom to do, what will be the cost of it, etc. in another word, answering all 'W' and 'H' questions related to business activity for its successful completion is known as 'Planning'.

2.2 PLANNING

2.2.1 –DEFINITION :

1. **Koontz and O'Donnell** defines planning as, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it."
2. In the words of **George R. Terry**, "Planning is a method or a technique of looking ahead, a constructive reviewing of future needs so that present actions can be adjusted in view of the established goals."

"Planning is the selecting and relating of acts and the making and using of assumptions regarding the future in the visualisation and formulation of proposed activities believed necessary to achieve desired results".

3. According to **Alfred and Betty** "planning is the thinking process, the organized foresight of the vision, based on facts and experience that is required for intelligent action".

4. **Gray and Smeltzer** stated that “Planning is the process of setting goals and establishing methods or paths reaching them”.
5. **Philip Kotlar** defines planning as “Planning is deciding in the present what to do in the future. It is the process whereby companies reconcile their resources with their objectives and opportunities”.

2.2.2 – FORECASTING :

A) Introduction :

Planning is future oriented activity based on forecasts. Planning includes forecasting. Forecasting is an assessment of the future. It is systematic attempt to know probable events to provide presumptions against the future. It works in relation to activities and working of an enterprise.

A forecast is a prediction. It is the estimate of probable events. Forecasting helps in decision making by providing tips about what is likely to happen in future. In short, forecasting is a systematic attempt to investigate inference from known facts.

Forecasting is a technique of gathering information, it's important in developing premises. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.

B) Definition :

According to **Henry Fayol**, “To manage is to forecast and to plan, to organize, to command, to co-ordinate and to control.”

According to literature, forecasting can be defined as follows :

As per **Golden J. et.al**, “Forecasting is predicting, projecting, or estimating some future event or condition which is outside an organization's control and provides a basis for managerial planning”.

Waddell D., et.al defines, “Forecasting is generally used to predict or describe what will happen (for example to sales demand, cash flow, or employment levels) given a set of circumstances or assumptions” (1994, p.41).

In the words of **Mentzer J.T. & Moon M.A.**, “Forecasting is a projection into the future of expected demand, given a stated set of environmental conditions”.

C) Planning as Forecasting :

Planning premises are the assumptions and predictions about the future business situation, i.e. about the various elements of the environment that provide the basic framework in which plans operate.

All managers involved in planning should be familiar with and use the same assumptions. Appropriate assumptions have to be made on various aspects of the environment – both internal and external to the organization.

For example, important internal premises include sales forecasts and policies of the organization. Each one of these element is a critical success factor. For instance, the accuracy of the sales forecast influences the procurement of resources, production scheduling and the marketing strategies to be pursued to achieve the objectives. Sales forecast and past experience also facilitate to arrive at monthly consumption pattern.

Production planning and control helps to estimate required resources. Production is planned according to the sales forecast. On the basis of this forecast, proper quantity and quality of resources is decided. Thus, it avoids excess or shortage of resources.

Continuous production is a method used to manufacture, produce or process materials without interruption. Here, goods are produced constantly as per the demand forecast.

Batch production is the production of a number of identical units according to specific orders or on the basis of demand forecasts. The items are produced in batches or lots.

D) Difference between Planning and Forecasting :

Following table depicts the difference between Planning and Forecasting :

Basis of difference	Planning	Forecasting
Meaning	Planning is the process of identifying the future goal and looking ahead for the future course of action in advance.	Forecasting is predicting future performance of the organization on the basis of past and present performance and data.
Related with	Future course of action.	Prediction of future performance.
Concerned with	Assessing the future and providing plan for it.	Estimating future event or trend.
Base	Based on relevant information, objective and performance.	Based on an assumption, postulation and certain degree of guess.
Responsibility held	Top level managers, CEO or President.	Experts or different levels of managers, economists or analysts employed by the organization.
Weightage given to	Facts and expectations	Only facts

2.2.3 – DECISION MAKING :

Organizations operate by people making decisions. A manager plans, organizes, recruits, leads, and controls his team by executing decisions. The effectiveness and quality of those decisions determine how successful a manager will be.

Managers are constantly called upon to make decisions in order to solve problems. Decision making and problem solving are ongoing processes of evaluating situations or problems, considering alternatives, making choices, and following them up with the necessary actions.

A) Meaning :

Decision Making is a process of identifying a set of feasible alternatives and selecting the best course of action from these. It is a technique used to find a solution to solve the problem.

While finalizing one plan, several alternative plans are drawn and evaluated. Out of all these available alternatives, the best plan is selected and implemented. Thus planning facilitates selecting the best plan i.e. Decision Making. Decision Making plays an important role for the effectiveness and for the excellence of plan.

B) Definition :

1. **Oxford Dictionary** defines Decision Making as “The action of carrying out or carrying into effects”.
2. In the words of **James stoner**, Decision Making as, “The process of identifying and selecting a course of action to solve a specific problem.”
3. According to **Haynes and Massie**, “A decision is a course of action which is consciously chosen for achieving a desired result.”

C) Importance/Advantages of decision making:

Decision making is an essential element of management process. Decision making is necessary in all management functions. Manager needs to take sound decisions for conducting correct actions so that objectives can be achieved.

Decision making is vital for the following reasons :

- i. Facilitate achievement of objectives
- ii. Facilitate optimum use of resources
- iii. Enable to attain higher efficiency
- iv. Facilitates innovation
- v. Motivates employees

- vi. Leads to growth and expansion
- vii. Helps to face new challenges
- viii. Encourages initiative

D) Steps in Decision making:

- i. Defining the problem or situation.
- ii. Forming alternative solution.
- iii. Evaluating alternative solutions.
- iv. Selection of the best alternative.
- v. Implementation of alternative.
- vi. Review of performance.

2.2.4 – PROBLEM SOLVING :

A) Introduction :

As Forecasting is the part of Planning and Planning involves Decision Making and provides direction or guidelines for problem solving as well. So Planning initiates Forecasting which gives birth to Decision Making that leads to Problem Solving. Systematic planning helps in facing the uncertainties of future with less embarrassment. It helps in making things happen in the expected way.

Planning can be considered as an approach to problem solving. It provides a systematic way of viewing problems and developing short and long-term solutions.

B) Definition :

Problem solving is the process of developing a sequence of actions to achieve particular objective. Literally, planning means deciding a course of action before acting. Problem solving is finding a plan for a task.

Problem solving is an act of defining a problem, determining the cause of problem, identifying, prioritizing, selecting alternatives for a solution and implementing a solution.

Yokam & Simpson says, “A problem occurs in a situation in which a felt difficulty to act is realized. It is a difficulty that is clearly present and recognized by the thinker. It may be a purely mental difficulty or it may be physical and involve the manipulation of data. The distinguishing thing about a problem, however, is that it impresses the individual who meets it as needing a solution. He recognizes it as a challenge”.

According to **Skinner**, “The Problem Solving is a process of overcoming difficulties that appears to interfere with the attainment of goal. It is a procedure of making adjustment inspite of interferences.”

In the words of **Risk. T. M.**, “Problem solving is a planned attack upon a difficulty or perplexity for the purpose of finding a satisfactory solution”.

James Ross has defined “Problem-solving is an Educational device whereby the teacher and the pupils attempt in a conscious, planned, purposeful manner to arrive at an explanation or solution to some educationally significant difficulty”.

“Any behaviour which through the manipulation of variables makes the appearance of the solution more probable”.

C) Steps in Problem Solving :

- i. Identify the problem
- ii. Analyse the problem
- iii. Describe the problem
- iv. Look for root causes
- v. Generate alternative solutions
- vi. Evaluate and select an alternative
- vii. Implement the solution
- viii. Measure the results

2.3 NATURE OF PLANNING

2.3.1 – NATURE OF PLANNING :

Planning means setting objectives and targets and formulating an action plan to achieve them. It starts with framing an idea then how to work on a particular task. It is closely connected with creativity and innovation. Planning is an intellectual process of logical thinking and rational decision making.

Planning is concerned with both ends and means; i.e. what is to be done and how it is to be done.

Plan is like a jigsaw puzzle; all the pieces have to be put together properly, so that they make sense. It bridges the gap between where we are and where we want to go.

Planning is an intellectual process of decision making. It involves thinking capacity, foresight and vision for that one needs brain capacity. It is the intellectual process where the planner goes through certain steps and then come to a perfect conclusion. That is what is planning. As per Henry Fayol’s opinion, it is action at once and at the sometime the result envisaged. It is future picture where in proximate events are outlined with certain distinctness. Therefore for the purpose of planning one needs imagination foresight and sound judgment. Planning involves problem

solving and decision making. Planning cannot be done on the balls of guess or it is not a work of common people those who are lacking vision forecasting, no thinking capacity.

Designing a proper planning and implementing accordingly is the key of achieving the objectives of an organisation. Planning is the detailed programme of future course of action.

2.3.2 – CHARACTERISTICS OF PLANNING :

Following are the important characteristics of planning:

1. Planning is a primary function–

Management process starts with planning. So planning is a primary function of management. Other functions of management i.e. organizing, directing and controlling are dependent on planning.

2. Planning is result oriented–

Every plan is framed to achieve certain well defined objectives. Planning is done to achieve goals. First targets are set and then planning is done.

3. Planning is future oriented–

Planning is always done for the future. The future can be short term, medium term or long term. It is a programme for future by which management tries to look ahead.

4. Planning is a continuous activity–

Planning is a continuous function of management. Managers are required to formulate, modify and withdraw the plans according to business environmental changes. Planning is necessary as long as the business remains in existence.

5. Planning is pervasive–

Planning is pervasive in nature. It is required for all the business activities and by all the managers at all the levels. Planning is required not only in business organizations but also in non-business organizations.

6. Inter-dependent activity–

Planning is inter-dependent activity. One departmental plans are dependent on other departmental plans. Every plan is linked with other plans.

7. Intellectual process–

Planning requires imagination, intelligence, talent, vision, etc. on part of managers. Planning is based on practical considerations. Proper thinking is required before finalizing a plan. The quality of plan depends upon mental qualities of managers.

8. Planning requires past, present and future analysis–

Planning requires proper analysis of past, present and future. Managers need to check past performance, present targets and future possibilities while planning.

9. Basis of control–

Planning provides base for control. The actual performance is compared against planned targets. Plans provide basis for comparison of actual and standard performance.

10. Flexible in nature–

Planning is always flexible. It keeps on changing as per the situation changes. As business environment is dynamic in nature, planning needs to be flexible in nature. Plans should match with environmental changes.

2.3.3 – MERITS OF PLANNING :

The need and importance of planning can be explained as follows:

1. Minimizes risks and uncertainties–

Planning studies future situations. Therefore future risks and uncertainties are studied well in advance. Solutions for these risks and uncertainties are kept ready. Thus, planning helps to minimize risks and uncertainties.

2. Facilitates innovation–

While planning, managers come out with new ideas and concepts. Planning encourages innovative and creative ideas on the part of the managers.

3. Facilitates efficiency-

Planning facilitates optimum utilization of all physical and human resources in the organization. As the right course of actions is decided in planning, resources are utilized at optimum level and wastages are reduced. So planning facilitates efficiency.

4. Facilitates organizing–

Proper plans facilitate systematic organizing in the organization. Required resources are arranged in the right manner and are put to the best use. Proper arrangement of resources will be done to achieve targets.

5. Facilitates directing–

As per the plan manager can issue directions to his subordinates. Good plan provides guidelines to the people for achieving desired objectives.

6. Facilitates controlling–

Plan provides basis for comparison in controlling function. Under controlling, actual performance is compared against standard performance laid down in the plan.

7. Facilitates co-ordination–

Planning co-ordinates with all the activities in the organization. Due to planning one departmental activities are linked with other departmental activities. It facilitates co-ordination at all the levels in the organization.

8. Facilitates decision making–

While finalizing one plan, several alternative plans are drawn and evaluated. Out of all these available alternatives, the best plan is selected and implemented. Thus planning facilitates selecting the best plan, thereby it facilitates decision making.

9. Facilitates motivation–

Planning develops team spirit among all the people in the organization. On the basis of planned performance, rewards can be given for better performance.

10. Growth and expansion–

Planning provides a benchmark for development. It improves performance of the organization which leads to growth and development.

2.3.4 - LIMITATIONS OF PLANNING :

The limitations of planning can be explained as follows :

1. Time consuming–

Planning needs collection of data of past, present and future of the organization. It requires consultation and discussion with other people in the organization. It requires approval from higher authority. Therefore planning is a time consuming process.

2. Paper work–

Lot of paper work is involved in planning function. Paper work is more due to reports making, taking approvals, framing alternative plans, etc.

3. Costly affair–

A good amount of money is required to be spent for collecting and analyzing the data. So the companies which cannot afford such expenses avoid planning.

4. Possibility of under-targeting–

Sometimes managers may under-target while planning. This is because, they may think that they can achieve targets easily and can get appreciation. This happens mostly in public sector organizations.

5. Possibility of over-targeting–

Sometimes managers may target at higher level. This may be due to wrong collection and interpretation of data.

6. Generates frustration-

If the managers are not able to achieve the planned targets in spite of best efforts, it may lead to frustration.

7. Possibility of human error–

Plans require judgment and intelligence on the part of the managers. But if managers have done wrong judgment about future, then it may lead to wrong targeting.

8. Problem of changing situations–

Business environment is not constant. Changes are always taking place and plans need to adjust with such changes. But every time it may not be possible to adjust plans with every change.

9. Inter-departmental conflicts–

Planning requires co-ordination between all the departmental managers. But it is possible that, these managers may have conflicts due to which plan may not yield expected results.

10. Generates rigidity–

While carrying on actual performance, managers always focus only on planned targets. It may be possible that, sometimes higher performance may be possible. But managers tend to achieve only what has been planned.

Check your Progress :

1. Management process starts with -----.
2. Planning develops team -----.
3. Planning premises are the ----- and predictions about the future business situation

Define :

1. Planning.
2. Forecasting.
3. Decision making.

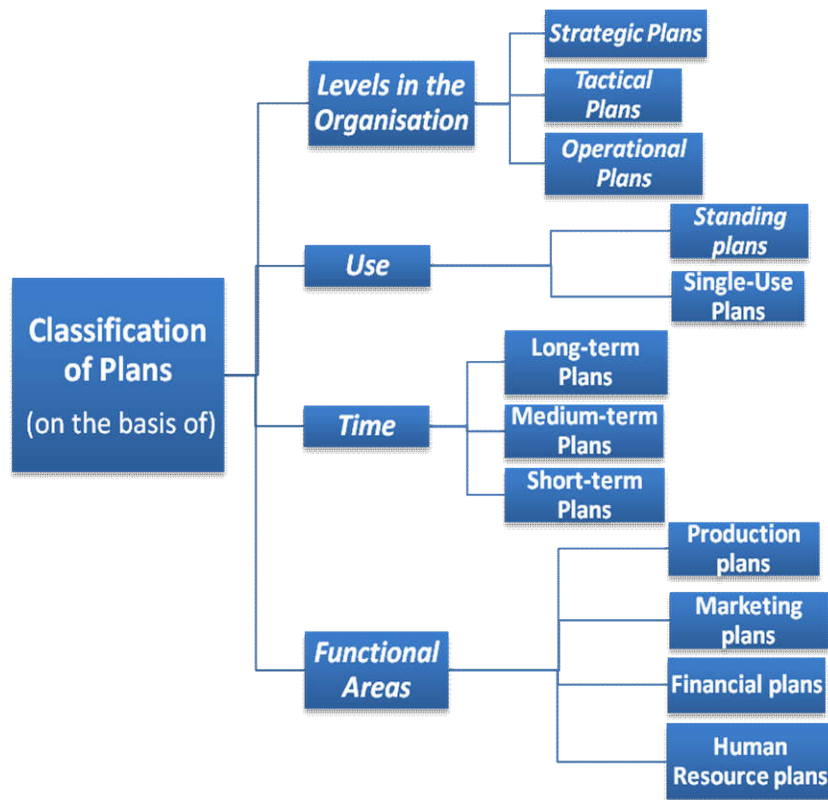
Answer the following :

1. How planning minimize risks and uncertainties ?
2. What is meant by Problem Solving ?
3. Why planning becomes costly ?

2.4. CLASSIFICATION OF PLANS

2.4.1 - CLASSIFICATION OF PLANS :

Several plans are prepared while making a plan. Classification of plans can be done on several basis as depicted in the following chart.



A) Classification on the basis of Use :

1. Standing plans–

These plans are prepared for repeat use. They are used again and again. Therefore they are referred as ‘repeat use plans’.

Standing plans are made to deal with situations which occur repeatedly in the organisation. They standardize the recurrent activities so that routine decisions with respect to such activities can be taken by lower level managers and top-level managers can concentrate on strategic issues.

These plans can be repeatedly used in similar situations. Managers refer to these plans to deal with problems of recurring nature and thus save time, money and efforts in making decisions every time a problem of the same type arises.

For example, standing plans can be made for dealing with leave cases of employees. Every time an employee goes on leave, he follows leave rules framed in the standing plans. This saves top managers from facing the issues of personally dealing with leave case of every employee.

Standing plans are directives that serve to increase organisational effectiveness by standardizing many routine decisions.

a) Advantages of Standing plans :

- i) These plans guide daily behaviour so that managers can delegate part of their work load to subordinates. Standing plans facilitate delegation.
- ii) They facilitate co-ordination as there is pre-determined way to solve recurrent organisational problems.
- iii) As the decisions for recurring problems are routinized, organisational efficiency tends to increase.
- iv) They provide ready basis for making decisions, consequently facilitate fast decision-making.
- v) They save top managers' time, money and energy by providing a basis for quick action.

b) Types of Standing plans :

- i. Policies,
- ii. Procedures,
- iii. Methods,
- iv. Rules.

2. Single-use plans–

These plans are prepared to achieve specific objectives. These are used only once. Once the purpose is served, plan becomes obsolete.

They are short time plans made for non-recurring activities.

For example, if company wants to install a machine, it has to plan its purchase; whether it wants to buy a new machine or a second hand machine; whether it wants to buy or acquire it on lease, etc. Various alternative courses of action will be guided by their respective returns and costs and once the machine is acquired, the plan does not exist anymore.

Single use plans are intended to achieve a particular objective which is not likely to be repeated in future. These are meant to deal with problems which are non-repetitive and distinct in nature.

a) Types of Single-use plans :

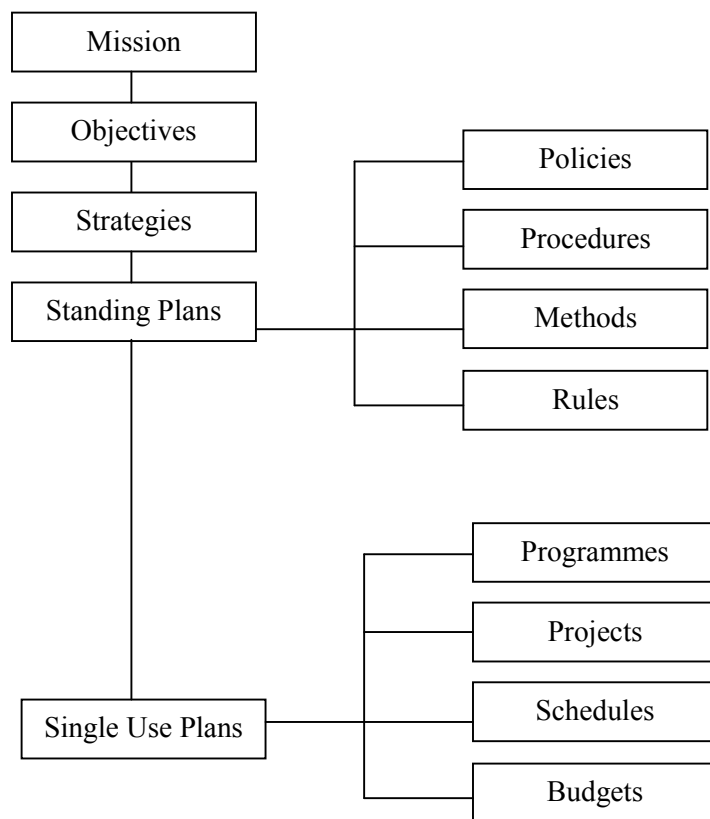
- i. Programmes,
- ii. Projects,
- iii. Schedules,
- iv. Budgets.

b) Differences between Single-use and standing plans :

Basis of difference	Single-use Plans	Standing Plans
Meaning	These are used only once.	These plans are prepared for repeat use.
Related with	Carrying out activities that are not intended to be repeated.	Carrying out activities that are to be repeated.
Concerned with	Achieving a specific objective.	Achieving overall organizational goal.
Lifespan of plan	Once the purpose is served, plan becomes obsolete.	They are used again and again.
Deals with problems	Such problems which are distinct in nature.	Such situations which occur repeatedly in the organization.

2.4.2 – COMPONENTS OF PLANS :

Various components of plans can be explained with the help of following chart :



1. Mission–

Every organization should have mission. Mission is the statement which reflects purpose, philosophy and vision of the organization. Mission guides the overall working of the enterprise.

2. Objectives–

Objectives are the goals or targets that management wants to achieve. Objectives are drawn from mission. These are ends towards which all the actions are directed.

3. Strategies–

Strategy is a broad long term plan. It provides guideline for achieving the objectives of the organization.

4. Standing Plans–

i. Policies :

Policy is considered as guideline for action. Policies provide a framework within which the organization has to operate. It defines boundaries for decision making.

ii. Procedures :

Procedure is a series of activities required to be performed for attaining objectives. It is the sequence of works to be done.

iii. Methods :

Method describes the way of performing particular work. By following a proper method, procedure is completed.

iv. Rules :

Rules lay down specific actions to be done. It describes what is to be done and what should not be done or avoided.

5. Single Use Plans–

i. Programmes :

Programme is a plan which is designed to implement the policies and accomplish objectives. It is a combination of goals, policies, procedures and rules to carry out activities.

ii. Projects :

Projects are the plans which are required to complete complex and special work. It requires expert knowledge from various departments.

iii. Schedules :

A schedule is a time table for activities. It defines start time and completion time of each and every activity. It ensures completion of work on time.

iv. Budgets:

Budgets express the anticipated results in numerical terms. It is mainly used for controlling the actual performance of activities.

2.5 ESSENTIALS OF A GOOD PLAN

2.5.1 – ESSENTIAL OF A GOOD PLAN :

Good plans are always the basis for other managerial functions like organizing, directing and controlling. The success of management functions depends upon quality of the plan formulated.

Following are the certain essentials of a good plan:

1. Simplicity–

A plan must be simple to understand and easy to execute. It should be well understood by those, who are involved in its implementation.

2. Flexibility–

Plan should always allow changes required to be done according to changing situations. Plans should not be rigid. Flexible plans are always adjustable, as it facilitates modifications to be done.

3. Suitability–

A plan should be suitable to the needs of the organization. It should consider resources and capabilities.

4. Clear objectives–

Plan always indicates the objectives that need to be achieved by the organization. These objectives should be clear and well defined.

5. Continuity–

Good plans should be continuous in nature. Plans should be adjusted periodically to ensure continuity in the planning process.

6. Acceptance–

The plans must be acceptable by the others. It should be accepted by top management for approval as well as by subordinates for implementation.

7. Comprehensive –

A good plan should be comprehensive in nature i.e. it should cover all the details necessary for its execution. There should not be any ambiguity in the plan. Plan needs a practical approach.

8. Realistic–

A good plan should be realistic. It should be based on facts and not on guesswork. It should be workable.

9. Facilitates organizing–

A good plan should facilitate proper arrangement of all resources i.e. physical and human resources.

10. Provides direction–

Plan should provide guidelines for actual working. Based on plans, directions can be given to complete the work on time.

11. Facilitates control–

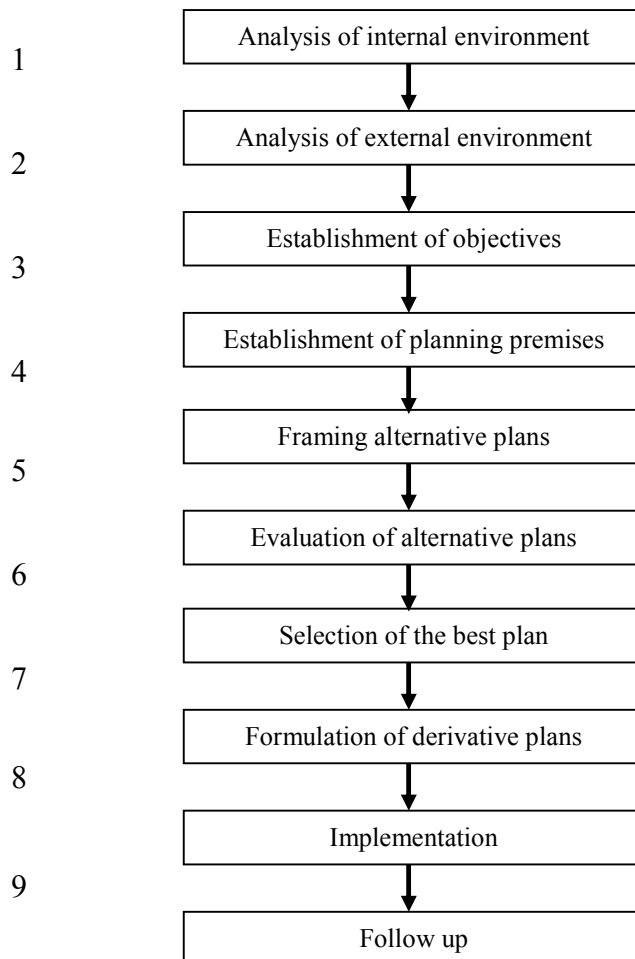
A good plan should facilitate controlling of actual performance. Actual performance can be compared against targets mentioned in the plans.

12. Generates efficiency –

A good plan should generate maximum efficiency in the organization. It should minimize wastage by doing optimum use of resources.

2.5.2 – PLANNING PROCESS :

Following steps are involved in the planning process:



The stages of planning process are explained as follows:

1. Analysis of internal environment–

Planning process starts with analysis of internal environment. Internal environment includes all the variables from the organization like manpower, plans and policies of top management, machines, materials, etc. Planner needs to study these variables properly to find out strengths and weaknesses of the organization.

2. Analysis of external environment–

After the analysis of internal environment, planner needs to study factors from external environment. External environment includes all those factors which are outside the organization like government policies, competition, international factors, technological changes, consumer behavior, etc. This analysis is required to find out possible threats and opportunities for the organization.

3. Establishment of objectives–

After the analysis of environment is over, planner should establish the objectives to be achieved. Objectives should be well defined to provide guidelines for planning. Objectives should be **SMART** i.e. **S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**ime-bound.

4. Establishment of planning premises–

Planning premises are the assumptions or base (grounds) which provide a framework within which plans operate. Appropriate assumptions have to be made regarding internal and external environment.

Assumptions are the base material upon which the plans are drawn. It can be some forecasts, existing plans or any past information about policies.

For example being a technique of gathering information, it's important in developing premises. Forecasts can be made about the demand for a particular product, policy change, interest rates, prices of capital goods, tax rates etc. Accurate forecasts therefore become essential for successful plans.

5. Framing alternative plans–

Planner should always frame alternative plans instead of only one final plan. For example : to improve product quality, planner can make alternative plans such as, purchase of better quality raw material, installation of advanced technology, training to workers, etc.

6. Evaluation of alternative plans –

All the alternative plans should be evaluated by the planner. Evaluation should be in terms of cost and returns possible from that particular plan.

7. Selection of the best plan –

Once the plans are evaluated, planner should select the best plan out of all the alternatives. The plan which gives maximum returns at minimum cost should be selected as the best plan.

8. Formulation of derivative plans–

Derivative plans are sub-plans which are derived from the final plan, that are required for operational purpose. Derivative plans are required for the implementation of the final plan. Programmes, policies, schedules, budgets, etc. are the examples of derivative plans.

9. Implementation–

Final plan should be implemented with the help of such ready derivative plans. Plan should be communicated to all those people in the organization who are required to implement them.

10. Follow up–

Periodic follow up is required to find out whether the actual performance is matching with planned targets. Certain changes can be done in that plan if required.

Check your Progress :

1. -----is a broad long-term plan.
2. ----- plans are sub-plans which are required for the operational purpose.

Check your Knowledge :

1. Difference between Standing plan and Single use plan.
2. Continuity in the plan.

Explain :

1. Components of Standing plan.
2. Establishment of objectives.

Answer the following :

1. What are the essentials of a good plan?
2. Which are the stages of Planning process ?

2.6 MBO – IMPORTANCE AND RELEVANCE

2.6.1 - INTRODUCTION : MBO (MANAGEMENT BY OBJECTIVES):

The concept of MBO was popularized by Peter Drucker in 1954 in the book entitled 'The Practice of Management'. MBO is based on assumption that people perform better when they know what is expected of them. It also assumes that people are interested in decision making process and controlling their actual performance.

A) Meaning :

Management By Objectives (MBO) is a strategic management model that aims to improve performance of an organization.

The organizational goals are achieved by clearly defining objectives by supervisors and subordinates jointly and setting action plans that are conveyed by the management to the members of the organisation and are agreed to by both management and employees. In MBO, supervisors and subordinates jointly control the activities. According to the theory, it encourages participation and commitment among employees, as well as aligning objectives across the organization.

B) Process of MBO :

1. Collectively formulation of objectives–

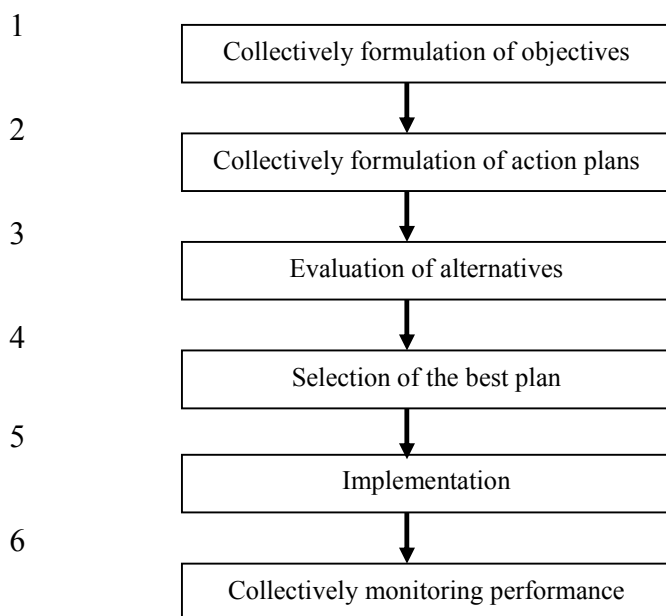
The superior and subordinate collectively formulate the goals. The goals can be in the areas of production, marketing, finance, etc.

2. Collectively formulation of action plans–

After setting of goals, superior and subordinate managers collectively formulate action plans. These action plans are required to achieve the goals.

3. Evaluation of alternatives–

Superior and subordinate managers have to collectively evaluate the action plans. In evaluation, cost-benefit analysis of each action plan is required to be done.



4. Selection of the best plan–

After evaluation, the superior and subordinate manager should select the best plan. The best plan is that plan which gives maximum returns at minimum cost.

5. Implementation–

The subordinate implement the selected plan. If required, superior can give guidance to the subordinates for implementation.

6. Collectively monitoring performance–

At the end, subordinate compare actual performance against planned targets. At this stage, superior acts as a guide. If any deviations is found, superior and subordinate once again frame objectives.

2.6.2 – IMPORTANCE OF MBO :

Advantage of MBO approach is the monitoring and evaluation of the performance and progress of each employee against the established objectives. Ideally, if the employees themselves are involved in setting goals and deciding their course of action, they are more likely to fulfill their obligations.

1. Optimum utilization of resources–

MBO facilitates optimum utilization of physical and human resources in the organization.

2. Team work–

In MBO, superior and subordinate collectively formulate plan and control the performance. This leads to continue interaction between superiors and subordinates. This develops team work in the organization.

3. Motivation–

Subordinates are motivated in MBO. They are given chance to participate in decision making process along with superiors. Organizational goals are converted into personal goals at all the levels.

4. Result oriented–

MBO is result oriented. It links evaluation directly to performance.

5. Improved planning–

MBO involves participative decision making on the part of the subordinate managers. This makes plans more realistic. Thus planning improves qualitatively.

2.6.3 – RELEVANCE OF MBO :

Objectives are essential to ensure that all contributors spend their time at work productively and are working towards a concerted outcome. They also teach about how much the management and employees are truly capable of accomplishing in a set amount of time.

Management by Objectives (MBO) is an approach adopted by managers to control their employees by implementing a series of concrete goals that both the employee and the organization aim to accomplish in the immediate future and work accordingly to achieve.

If the management by objectives strategy is not adequately set, decided upon and controlled by organizations, self-centered workers can be likely to misinterpret results, wrongly portraying the achievement of short-term, narrow-minded goals.

Different management departments in the organization like Production, Marketing, Sales, HR, Finance, Operations, Customer Support, etc. can set their specific objectives and assess the actual output or result with the set index.

The relevance of MBO with its application in the business organization can be explained as follows :

1. Management by objectives helps employees appreciate their on-the-job roles and responsibilities.
2. The Key Result Areas (KRAs) planned are specific to each employee, depending on their interest, educational qualification, and specialization.
3. MBO uses a set of quantifiable or objective standards against which to measure the performance of a company and its employees.
4. Managers can identify problem areas and improve efficiency by comparing actual productivity to a given set of standards.
5. The MBO approach is implemented to ensure that the employees get a clear understanding of their roles and responsibilities, along with expectations, so that they can understand the relation of their activities to the overall success of the organization.
6. The MBO approach usually results in better teamwork and communication.
7. It provides the employees with a clear understanding of what is expected of them. The supervisors set goals for every member of the team, and every employee is provided with a list of unique tasks.
8. Every employee is assigned unique goals. Hence, each employee feels indispensable to the organization and eventually develops a sense of loyalty to the organization.

9. Managers help ensure that subordinates' goals are related to the objectives of the organization.

2.7 SUMMARY

Planning is a primitive function of management which provides directions for setting objectives and developing appropriate course of action by formulating the policies and procedures to achieve those objectives.

Planning is deciding in advance what to do, how to do, when to do, where to do, with whom to do, what will be cost of it, etc. related to business activity for its successful completion.

Forecasting is a systematic attempt to assess the probable events to provide presumptions against the future. It is a technique of gathering information, which is important in developing premises.

Decision making is a process / technique of identifying a set of feasible alternatives and selecting the best course of action from these. It is used to find a solution to solve problem.

Problem solving is an act of defining a problem, determining the cause of problem, identifying, prioritizing, selecting alternatives for a solution and implementing a solution.

Planning is concerned with both ends and means, i.e. setting objectives and targets and formulating an action plan to achieve them.

Planning has specific characteristics as : Planning is a primary function; Planning is result oriented; it is future oriented; Planning is a continuous activity; it is pervasive; Inter-dependent activity; Intellectual process; Planning requires past, present and future analysis; Basis of control; Flexible in nature.

Advantages of planning are : Minimizes risks and uncertainties; Facilitates innovation, efficiency, organizing, directing, controlling, co-ordination, decision making, motivation, growth and expansion.

Disadvantages of planning are : Time consuming; Paper work; Costly affair; Possibility of under-targeting; Possibility of over-targeting; Generates frustration; Possibility of human error; Problem of changing situations; Inter-departmental conflicts; Generates rigidity.

Classification of plans can be done on several basis like : Levels in the Organisation, Use of plan, Time-span of application of the plan, Functional Areas.

Classification of Plans on the basis of Use : Standing plans & Single-use plans. Standing plans are made to deal with situations which occur repeatedly in the organisation. They save time, money and efforts in making decisions every time a problem of the same type arises in the firm.

Single-use plans are prepared to achieve specific objectives. They deal with problems which are non-recurrent and distinct in nature.

Components of plans are as follows : 1. Mission; 2. Objectives; 3. Strategies; 4. Standing Plans – a. Policies, b. Procedures, c. Methods, d. Rules; 5. Single-Use Plans – a. Programmes, b. Projects, c. Schedules, d. Budgets.

Following are the certain essentials of a Good Plan : Simplicity, Flexibility, Suitability, Clear objectives, Continuity, Acceptance, Comprehensive, Realistic, Facilitates organizing, Provides direction, Facilitates control, Generates efficiency.

The steps involved in the planning process are as below : Analysis of internal environment, Analysis of external environment, Establishment of objectives, Establishment of planning premises, Framing alternative plans, Evaluation of alternative plans, Selection of the best plan, Formulation of derivative plans, Implementation, Follow up.

Management By Objectives (MBO) is a strategic management model that aims to improve performance of an organization. It is based on therapeutic assumption that people perform better when they know what is expected of them. It encourages participation and commitment among employees, as well as aligning objectives across the organization.

Process of MBO includes following steps : Collectively formulation of objectives, Collectively formulation of action plans, Evaluation of alternatives, Selection of the best plan, Implementation, Collectively monitoring performance.

MBO has the importance for the following merits : Optimum utilization of resources, Team work, Motivation, Result oriented, Improved planning.

Relevance of MBO can be recognized as Objectives are essential to ensure that all contributors spend their time at work productively and are working towards a concerted outcome. They also teach about how much the management and employees are truly capable of accomplishing in a set amount of time. It is an approach adopted by managers to control their employees by implementing a series of concrete goals that both the employee and the organization aim to accomplish in the immediate future and work accordingly to achieve it.

2.8 EXERCISES

State whether following statements are True or False :

1. Planning is an independent activity.
2. Planning takes place with great speed.
3. Single use plans are prepared to achieve specific objectives.
4. Collective formulation of objectives and action plans are achieved

in MBO.

Select the most appropriate option from the given :

1. Which of the following is not required to have by the manager involved in planning process?
(a) Imagination, (b) Young age, (c) Intelligence (d) Talent
2. Select the correct sequence involved in planning process?
(a) Planning → Staffing → Organizing → Controlling → Directing → Coordinating
(b) Planning → Organizing → Staffing → Controlling → Directing → Coordinating
(c) Planning → Organizing → Staffing → Directing → Controlling → Coordinating
(d) Planning → Organizing → Directing → Staffing → Controlling → Coordinating
3. Which of the following is the disadvantage of the planning process?
(a) Raises Paper work, (b) Increases efficiency,
(c) Generates rigidity (d) Improves Decision Making
4. Which of the following is not the SMART objective of the planning process?
(a) Specific, (b) Measurable, (c) Attractive (d) Realistic
5. Arrange the process of MBO in a logical manner :
(a) Collective formulation of objectives → Collective formulation of plans → Evaluation of alternatives → Selection of the best plan → Implementation → Collectively monitoring performance
(b) Collective formulation of objectives → Collective formulation of plans → Evaluation of alternatives → Selection of the best plan → Collectively monitoring performance → Implementation
(c) Collective formulation of plans → Collective formulation of objectives → Evaluation of alternatives → Selection of the best plan → Collectively monitoring performance → Implementation
(d) (d) Collective formulation of plans → Collective formulation of objectives → Collectively monitoring performance → Evaluation of alternatives → Selection of the best plan → Implementation

Write short notes on :

1. Characteristics of Planning.
2. Steps involved in Problem Solving.
3. Limitations of Planning.
4. Substantiate the 'Framing alternative plans' as the step in the Planning process.
5. MBO concept.

Give brief answers :

1. Why Planning is an important function in management ?
2. How Forecasting is utilized in the Planning process, explain with example.
3. How does planning give rise to Decision Making ?
4. List out essentials of a good plan.
5. Advantages of MBO.

Match the columns :

Column 'A'	Column 'B'
i) Planning	a) Sequence of actions to achieve particular objective
ii) Forecasting	b) Assessment of the future
iii) Decision Making	c) Technique of looking ahead
iv) Problem Solving	d) Identifying and selecting a course of action to solve the problem



ORGANIZING – AS A MANAGERIAL FUNCTION

Unit Structure

- 3.0 Objective
- 3.1 Introduction
- 3.2 Definition and Principles
- 3.3 Departmentalization
- 3.4 Formal Organizations – Functional, SBU, Matrix, Committees
- 3.5 Informal Organizations – Relevance and Importance
- 3.6 Authority, Responsibility, Accountability and Span of Control
- 3.7 Organizational Hierarchy – Charts
- 3.8 Delegation of Authority and Decentralization
- 3.9 Emergence of Virtual Organization – Merits and Limitations
- 3.10 Summary
- 3.11 Exercise

3.0 OBJECTIVES

After studying the unit the students will be able to :

1. Understand the concept of Organising and its principles.
2. Know the theory of Departmentalisation and its types.
3. Discuss the types of Organisation.
4. Explain the meaning and characteristics of Formal Organizations.
5. Elaborate on various forms of Formal Organizations.
6. Bring out the meaning and characteristics of Informal Organisation.
7. Acknowledge the relevance and importance of Informal Organisation.
8. Understand the concept of Authority, Responsibility and Accountability and analyse the difference between them.
9. Learn the concept of Span of Control.

10. Elaborate Organisational Hierarchy / charts and its types.
11. Bring out Delegation of Authority, its process & significance.
12. Know about Decentralisation and its importance.
13. Understand Virtual Organisation, its types, merits & demerits.

3.1 INTRODUCTION

Organizing is an element of management process which follows planning. Organizing is basically concerned with allocation of duties and responsibilities among the people so that work will be carried on systematically.

It is a function in which the synchronization and combination of important resources like human, physical, financial and information resources takes place for the achievement of the results. Organizing simply means arrangement and orderly use of required resources and ways for conducting business activities. It is a creation of administrative set up. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. It facilitates administration as well as the functioning of the organization.

Organizing is the next important function of management after the planning. In case of planning, the management decides what is to be done in future. In case of organizing, it decides on ways and means through which it becomes easier to achieve what has been planned.

3.2 DEFINITION AND PRINCIPLES

3.2.1 – DEFINITION :

1. **Louis Allen** defines Organizing as, “The process of identifying and grouping of the works to be performed, defining and delegating responsibilities and authorities and establishing a pattern of relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.”
2. According to **Henry Fayol**, “To organize a business is to provide it with everything useful to its functioning – raw materials, tools, capital and personnel.”
3. In the words of **Chester Barnard**, “Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

3.2.2 – PRINCIPLES OF ORGANIZING :

The most commonly mentioned and well accepted principles of organizing are as follows:

1. Objectives–

Every organization should have well defined objectives. Every department in the organization should have their objectives. Every individual in the organization should know what is to be achieved. Finally there should be unity among all the objectives.

2. Specialization–

Every department should be given a specific work to be performed. Division of work leads to specialization. Every individual in the organization should be given the work as per his skills.

3. Co-ordination–

All the activities of all the individuals and departments should be interlinked with each other. Co-ordination will lead to proper direction for work, which will result into better results.

4. Delegation of authority–

The superior should pass on the authority to their subordinates. There should be fixation of responsibility once the authority is delegated.

5. Short chain of command–

As far as possible there should be short chain of command in the organization. This will lead to speedy work as well as chances of distortion will be avoided.

6. Balance–

There should be proper balance in different aspects of the organization. There should be balance between authority and responsibility, centralization and decentralization, human and material resources, etc.

7. Continuity–

Organizing is a continuous process. It will be over only after the closure of the organization. Therefore organizing should provide a framework which is long lasting in nature.

8. Simplicity–

The structure of the organization should be as simple as possible. All the people in the organization should be able to understand the structure.

9. Span of control-

Span of control is the number of subordinates who can be effectively managed and supervised by manager. There should be limited span of control.

10. **Flexibility**–

The organization structure should not be rigid in nature. It should adjust with the changing situations.

11. **Authority and responsibility** –

Authority is a power to take decision. Responsibility is an obligation to perform the work. There should be a proper balance between authority and responsibility.

12. **Unity of command**–

This principle suggests that subordinate should get orders only from one boss at a time. There should not be duplication of orders which leads to confusion.

3.3 DEPARTMENTALIZATION

3.3.1 – MEANING :

Departmentalization is a process of grouping all the organizational activities into logical or functional units. These logical or functional units are known as departments. It is grouping of activities and employees into departments on the basis of their area of specialization for effective management and resultantly to achieve the goals of the organisation.

So, in this way, the entire organization is divided into parts, i.e. departments which comprise of a group of employees, who carry out activities of similar nature.

Departmentalization refers to the formal structure of the organization, composed of various departments and managerial positions and their relationships with each other.

3.3.2 – DEFINITION :

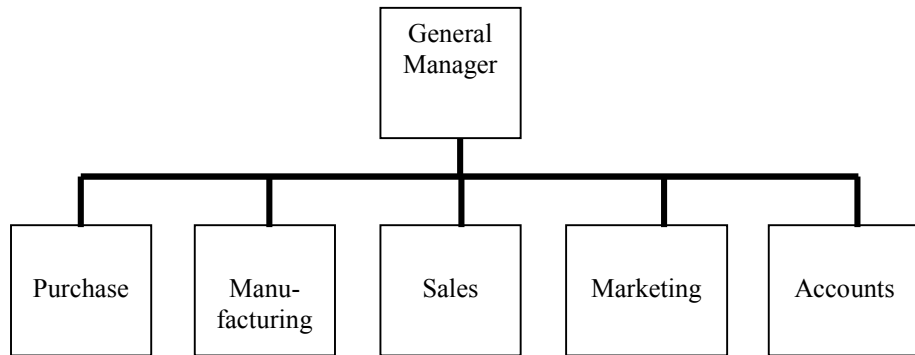
1. According to **Pearce and Robinson**, “Departmentalization is the grouping of jobs, processes and resources into logical units to perform some organizational task.”
2. **James and Stoner** defines, “Departmentalization is the grouping of work functions so that similar and logically related activities occur together.”

3.3.3 – BASES OF DEPARTMENTALIZATION :

Organization can follow various basis for departmentalization from the following:

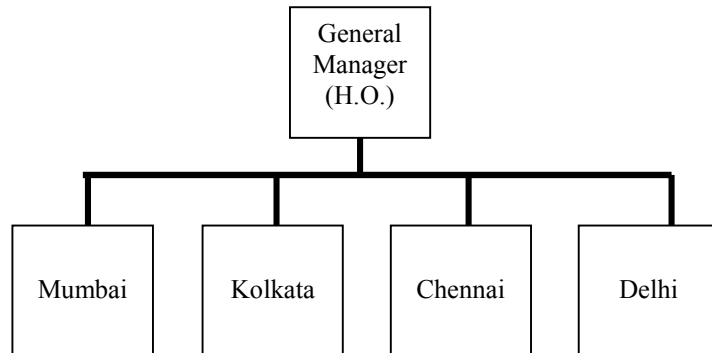
1. Departmentalization by functions-

In this type, similar activities are grouped under specific department. This departmentalization facilitates specialization and effective control.



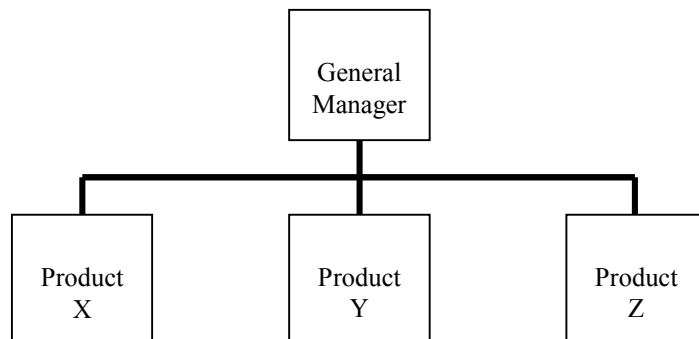
2. Departmentalization by area-

In this type, departmentalization is done according to market areas where product is sold. This departmentalization facilitates low cost of operations, better services to customers, etc.



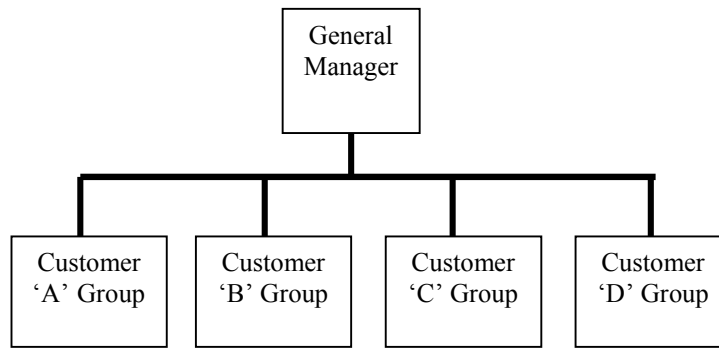
3. Departmentalization by Product-

This method is followed by those companies dealing in multi-products. Separate manager is in charge of separate brand. This facilitates better marketing strategies of each product.



4. Departmentalization by Customer-

This technique is followed when organization wants to offer maximum customer satisfaction. Income, purchasing power, habits, etc. are the main factors considered in this type of departmentalization.



5. Departmentalization by Time-

In this method, activities are divided on the basis of time. For example there are morning shifts, night shifts, etc.

6. Departmentalization by numbers –

In this method, each unit consists of a particular number of persons. For example in school or college students are divided in all the classes (divisions of classes) by fixing the strength in each class or division.

3.3.4 ADVANTAGES / IMPORTANCE OF DEPARTMENTALIZATION :

1. Departmentalization facilitates specialization as all the activities are allocated as per the skills of the people.
2. Departmentalization helps to fix authority and responsibility of each department and thereby of each employee.
3. Departmentalization facilitates better services to customers. This is possible especially in departmentalization by customers.
4. Proper departmentalization results into optimum utilization of resources as resources are allocated for right things.
5. Departmentalization facilitates controlling and supervision in the organization.
6. It facilitates management development of the departmental managers as they take all the departmental decisions.
7. It facilitates growth and expansion of the organization.

Check your Progress :

1. Organizing is concerned with allocation of ----- and ----- among the people.
2. Departmentalization is the process of ----- all the activities into -----.

Check your knowledge :

1. What do you think the reason of having short chain of command ?
2. Recall the example of Departmentalization by Time.

Define :

1. Organizing
2. Departmentalization

Explain :

1. The Co-ordination principle of Organising.
2. Departmentalization by product with suitable example.

Answer the following :

1. What is meant by Unity of Command?
2. Enumerate the bases of Departmentalization.

3.4 FORMAL ORGANIZATIONS

3.4.1 – INTRODUCTION :

An organization structure is a framework through which management works to accomplish its objectives. It is primarily concerned with the allocation of duties and responsibilities and delegation of authority. It is a role of the management to achieve the organizational goals.

In an organization there exist two types of internal structures or relationships, i.e.

- i. Formal organization
- ii. Informal organization

3.4.2 – MEANING :

Formal organization refers to structure of well-defined jobs, having definite authority and responsibility. This structure is specifically designed to achieve common organizational goals. This is the structure to which everyone in the organization has to adjust.

According to **Chester Barnard**, “an organization is ‘formal’ when two or more persons are consciously coordinated towards a common objective.”

3.4.3 – CHARACTERISTICS OF FORMAL ORGANIZATIONS :

1. It is a structure of well-defined authority and responsibility.
2. It is established to achieve well defined objectives.

3. There is a balance between authority and responsibility.
4. There is superior-subordinate relationship among all the people.
5. Rules and regulations are followed by all the people.
6. It is stable in nature. It comes to an end only after closure of the organization.
7. Communication between people is a formal communication.
8. There is system of co-ordination.

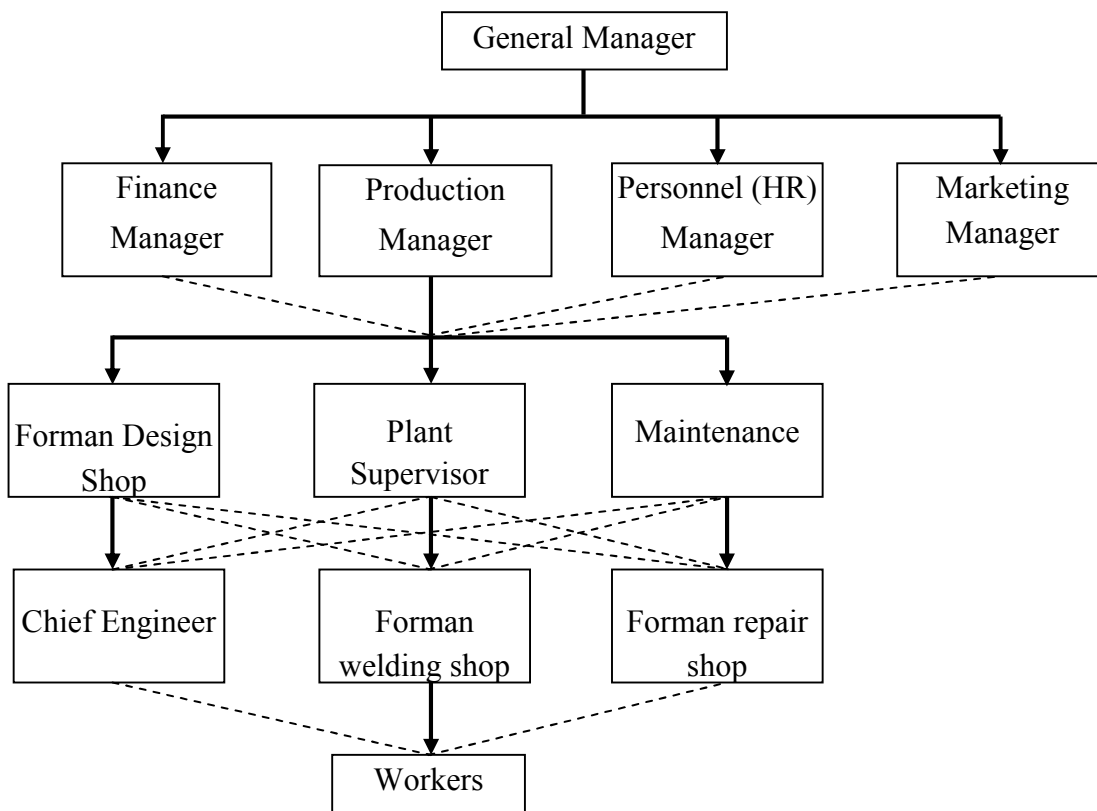
3.4.4 – STRUCTURE OF FORMAL ORGANIZATIONS :

The following are the various forms of formal organizations found in many enterprises : Line organization, Line and Staff organization, Functional organization, SBU, Matrix organization, Committee organization.

A) Functional Organizations :

I. Introduction :

This form was introduced by F.W. Taylor to bring about specialization of management. It is not an independent form of organization. It is a mid-way position between line and staff authority. Functional organization is a way of putting specialists to work.



II. Characteristics of Functional Organizations :

1. All the organizational activities are divided according to specified functions.
2. Each function is performed by specialist.
3. A superior specialist has a right to give orders related to these specific functions.
4. Functional authority is a limited form of authority as it covers only specific task areas.
5. Unity of command principle is not followed.
6. It is mainly suitable for large organizations.
7. Functional authority should be established by prior agreement among the line departments affected, preferably in written procedures that are approved by middle management and finally by top management.

B) SBU Organizations :

I. Introduction :

Companies that are organized based on different divisions often find it difficult to determine which activities and business process actually generate the most value and which ones should be ceased. This applies mainly to businesses where the divisions are purely functional in nature, such as sales, service, marketing and logistics.

Although different divisions can have different profit centres, decisions about the allocation of resources are not easy ones. For Strategic Business Units (SBU), it's easier to make such decisions, making their use of resources more likely to be efficient.

In business, a Strategic Business Unit (SBU) is a profit center which focuses on product offering and market segment. An SBU may be a business unit within a larger corporation, or it may be a business into itself or a branch. Corporations may be composed of multiple SBUs, each of which is responsible for its own profitability.

SBU is a cluster of associated businesses which are responsible for its combined planning treatment, i.e. the company engaged in a diversified range of businesses, categorizes its multitude of businesses into a few separate divisions, in a scientific way. The task may include analysis and bifurcation of a variety of businesses.

II. Meaning :

A single Strategic Business Unit (SBU) is considered a 'Profit Centre'. It is run by supervisors.

Companies today often use the word segmentation or division while referring to SBUs or an aggregation of SBUs that share such commonalities.

By creating Strategic Business Units (SBU), companies can develop and gain access to new products, markets or technologies, without experiencing the limitations of working in a huge organisation. The business unit has its own dedicated management team, own brand and reputation, own objectives, often other physical locations and own / distinct/ separate departments of Manufacturing, Human Resource Development (HRD), Research and Development (R&D), Marketing plan.

Having SBU assists organizations to plan their strategies and make manufacturing decisions. Typically the SBU is a business, providing a single product or a number of closely related products that serve a well-defined product-market combination and compete with a well-defined set of competitors.

Once a unit is given an SBU status, it can make its own decisions, investments, budgets etc. It will be quick to react when the product market takes a shift or changes start happening before the shift happens.

Strategic Business Unit supports co-operation and co-ordination between multiple departments of an organization that has a very similar range of functions and activities to perform as well as deliver. They also enable an organization to operate for a longer period as it ensures that an organization is fully aware of the upcoming shift and changes in the market place so that the same can readily adjust itself and easily survive in the highly competitive scenario.

III. Definition :

SBU can be defined as ‘An independently managed division/ department or a sub-unit or an entity of a large organization that is fully functional and focuses upon a target market and has its own mission, vision, direction, objectives whose planning is done separately from other businesses of the company. The vision, mission and objectives of the division are both distinct from the parent enterprise and elemental to the long-term performance of the enterprise. It has its own support functions such as training and human resource departments and this unit have to report to the headquarters of the concerned organization directly about the status of its operation and performance.’

According to **Grant**, (2002) “A Strategic Business Unit (SBU) is a basic organizational unit for which it is meaningful to formulate a separate competitive strategy”.

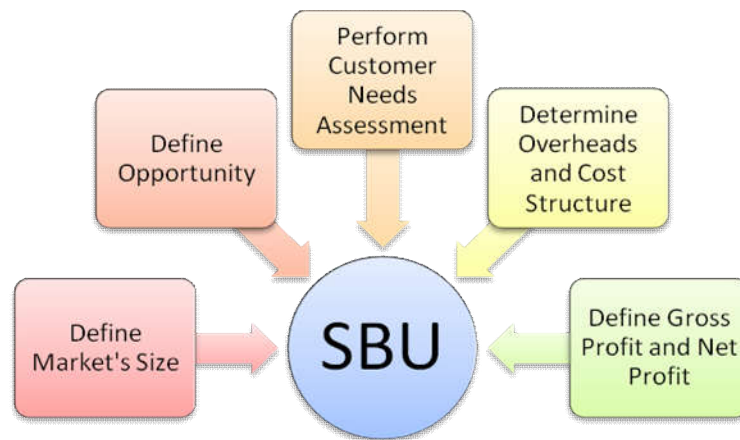
Johnson et al., (2008) defines SBU as “SBUs operate as autonomous units, and have the primary responsibility and authority for managing their basic functions”.

IV. Characteristics of SBU :

SBU can be a business division, a product line of the division or even a specific product/brand, targeting a particular group of customers or a geographical location.

SBUs typically have a discrete marketing plan, analysis of competition, and marketing campaign, even though they may be the part of a larger business entity. SBUs are able to affect most factors which influence their performance. Managed as separate businesses, they are responsible to a parent corporation.

The SBU structure adopted by an organization should play to its strengths and make good use of the opportunities in the industry.



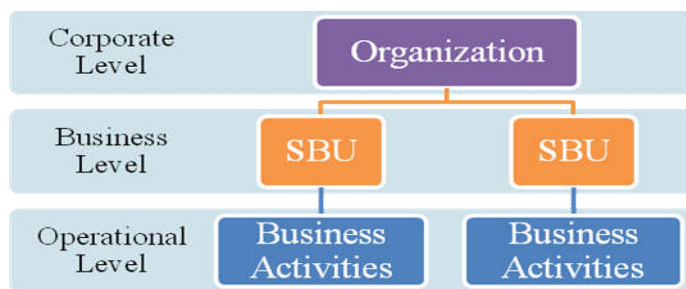
The different characteristics of SBU are as follows:

1. Separate business or a grouping of similar businesses, offering scope for autonomous planning, production, laboratory testing, manufacturing, finance, accounting, sales, training, HRD, R&D and marketing.
2. Own set of competitors.
3. A manager who is accountable for strategic planning, profitability and performance of the division.
4. A strategic business unit is specially formed to target a particular market segment, which requires expertise in production or management, not present in the parent company.
5. SBU utilizes a product-market strategy.
6. SBU is a part of the organizational structure.
7. It is regarded as organizational units that exhibit individual and independent legal personality.
8. They perform activities that are considered as utmost crucial and significant for the entire organization concerning decision making.

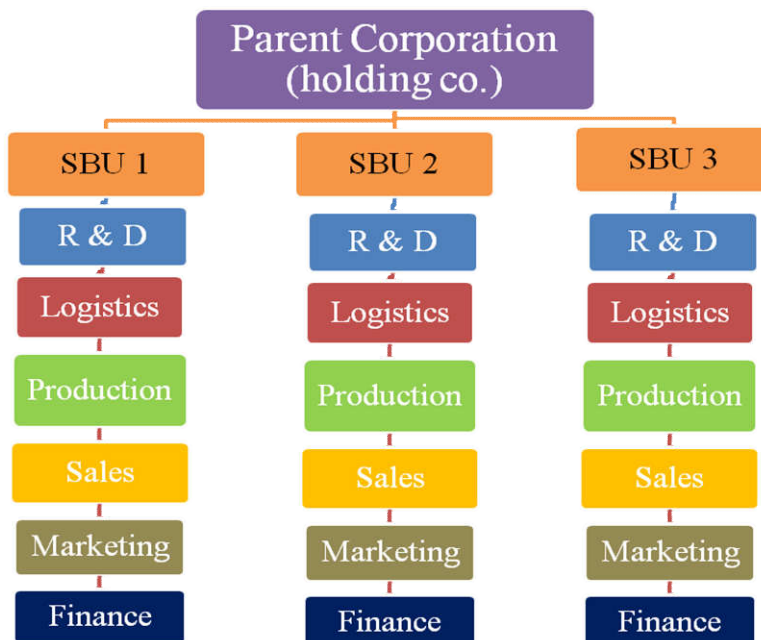
9. It has a divisional structure determined by its size of production, accounting processes, research and development activities and marketing function.
10. It is responsible for functions like strategic planning, performance and profitability of the division.
11. Strategic Business Unit even has a set of competitors.

V. Structure of SBU :

The structure of SBU consists of operating units; wherein the units serve as an autonomous business. The top corporate officer assigns the responsibility of the business to the managers, for the regular operations and business unit strategy. So, the corporate officer is accountable for the formulation and implementation of the comprehensive strategy and administers the SBU by way of strategic and financial controls.



In this way, the structure combines related divisions of business into the strategic business unit and the senior executive is empowered for taking decisions for each unit. The senior executive works under the supervision of a chief executive officer.



There are three levels in a strategic business unit, wherein the corporate headquarters remain at the top, SBUs as Autonomous Businesses in the middle and divisions clustered by similarity of Business activities, within each SBU, as Operational level remain at the bottom. Hence, the divisions within the SBU are associated with each other. The SBU groups are independent of each other. From the strategic perspective, each SBU is an independent business.

A single strategic business unit is considered as a profit centre and governed by the corporate officers. It stresses over strategic planning instead of operational control so that the separate divisions of the SBU can respond as fast as they can, to the changing business environment.

The top corporate officer assigns the responsibility of the business to the managers, for the regular operations and business unit strategy. So, the corporate officer is accountable for the formulation and implementation of the comprehensive strategy and administers the SBU by way of strategic and financial controls.

VI. Examples of SBU :

This principle works best for organizations which have multiple product structure. The best examples of SBU are companies like Proctor and Gamble, LG etc. These companies have different product categories under one roof. For example, LG as a company makes consumer durables. It makes refrigerators, washing machines, televisions, monitors, mobiles phones, laptops, air-conditioners and other electronic gadgets. These are made by different 'small' strategic units as separate SBUs so that sales, revenues, cost incurred as well as profits can be tracked independently. Once a unit is given an SBU status, it can make its own effective decisions, investments, budgets etc. It will be quick to react when the product market takes a sudden shift or changes that start happening before the shift happens.

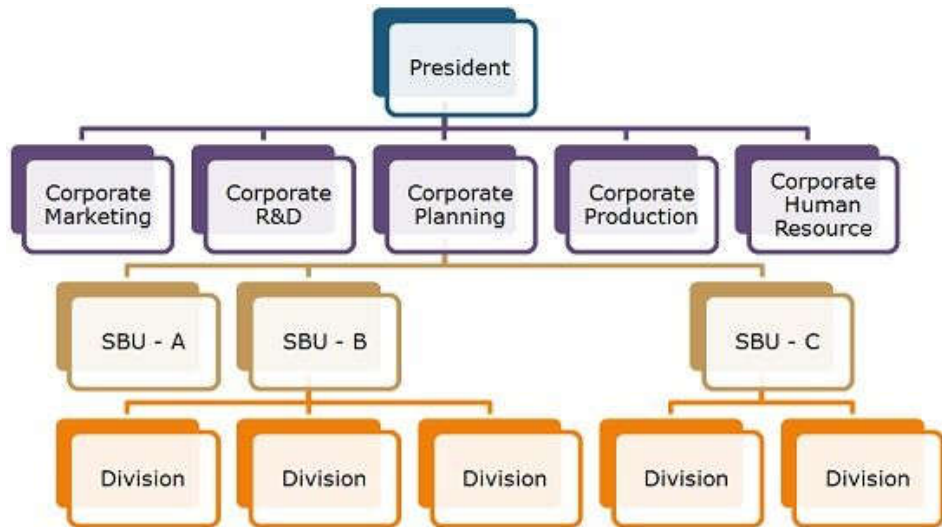
General Electric is an example of a company with this sort of business organization. General Electric has 49 SBUs. General Electric uses a simple diagram of nine boxes and three essential labels to define the importance of each business unit. This is done in terms of uniqueness and appeal for each industry and the strength of individual business unit in this industry. These criteria make up the foundation of an analysis GE uses to assess the viability of a strategic unit in the long term. The idea behind the model is to determine the appeal and relative strength of a unit to see if they would be successful, which ones would perform averagely and which ones would perform poorly and therefore have to be shut down.

VII. Advantages of SBU :

Some of the advantages are as follows:

1. Strategic Business Unit gives organization ample opportunities to shape up a promising future and make constructive decisions.

2. They give abundant opportunities to an organization to identify and make well-informed strategic decisions.
3. SBU even offers multiple financial benefits to an organization.
4. It improves strategic management in an organization.
5. They even improve the accounting function of an organization.
6. Strategic Business Unit eases out the planning of organizational activities.
7. It gives full independence when it comes to decision making, investments and budgets.
8. It can respond quickly to shifts in product markets.
9. The company can develop their own strategies.
10. The companies can then also analyze their own competitive position, develop products and meet the needs and demands of their customers in specific markets, analyze and study the market.
11. Another big advantage of adapting the organizational structure is the independence and freedom this grants the separate business units. By separating business units from each other, teams are given room to experiment and break things, without its creativity being suppressed by process and branding problems.
12. Strategic Business Units (SBU) supports the collaboration between different company departments.
13. SBUs make strategic management simpler.
14. SBUs are efficient for the bookkeeping of larger organizations.
15. SBUs are easier to monitor and check.
16. SBU supports cooperation between the departments of the company which has a similar range of activities, improvement of strategic management, improvement of accounting operations, easier planning of activities.



VIII. Disadvantages of SBU :

Some of the Disadvantages are as follows:

1. Strategic Business Unit faces a lot of difficulties while contacting with the top-level management.
2. They can also sometimes be one of the probable causes of unclear situations when it comes to managerial activities.
3. SBU can also be one of the probable causes of internal tensions arising due to difficulties in accessing external and internal funding sources.
4. Communication with upper management can be a challenge.
5. It can lead to internal tension as a result of access to sources of funding.
6. Brings difficulty in contact with higher level of management,
7. SBU may be the cause of internal tension due to difficult access to internal and external sources of funding.
8. SBU may be the cause of the unclear situation with regard to the management activities.

C) Matrix Organizations :

I. Introduction :

This type of organization was first developed in the United States in the early 1960s. It was developed to solve management problems in Aerospace industry.

Departments Projects	Dept. A Manager	Dept. B Manager	Dept. C Manager	Dept. D Manager	Dept. E Manager
Project A Manager					
Project B Manager					
Project C Manager					
Project D Manager					
Project E Manager					

Matrix organization is a combination of two or more structures. It can be the combination of project organization and functional organization. Both the organizational managers work in close co-operation with each other. The authority of departmental managers flows downwards whereas authority of project managers flows across.

II. Characteristics of Matrix Organizations :

1. It is a hybrid structure. It is a combination of project organization and functional organization.
2. This type of structure is mostly suitable for multi projects organization.
3. It is highly complex and most difficult form of organization to implement.
4. This type of organization offers more specialization as project managers and functional managers specialize in their areas.
5. The responsibility of project managers is of administrative type. They decide activities of project.
6. The responsibility of functional managers is of functional type. They decide how the work is to be done.
7. Subordinates receive orders from two bosses so unity of command principle is not followed.

D) Committee Organizations :

I. Introduction :

Committee does not represent a separate type of organization like line, line and staff or functional. It is a device which is used as supplementary to

existing organizational structure. A committee may be defined as a group of people performing some aspect of managerial function. A committee is a body of persons appointed to meet on an organized basis for the consideration of matters brought before it and to arrive at a decision.

II. Characteristics of Committee Organizations :

1. A committee is a formally organized group of individuals who meet repeatedly to consider some problems. (issues referred to it)
2. Some committees perform managerial functions and make decisions. Some committees are constituted to make recommendations to the managers. Some committees are constituted just to receive information and pass it on to the management.
3. Committees have defined structure. They have their own organization with defined authority and responsibility delegated to them.
4. Committees are generally required to follow definite rules and procedures, which are often written.
5. Committee organization is not only used in business organizations but also in social, religious, political and other organizations. For example, educational institutions mostly run their operations through committees.

There are three elements to ensure effective committee operations:

- i. A written statement describing purpose for which the committee is established is essential.
- ii. The authority of committee must be clearly specified.
- iii. The chairman of the committee must have ability to conduct committee meetings efficiently.

3.5 INFORMAL ORGANIZATIONS

3.5.1 – INTRODUCTION :

Informal organization refers to the relationships between the people in the organization based on personal attitudes, emotions, likes, dislikes, etc. This structure comes into existence as per desire of the people.

The informal organization exists within the formal organization. It is a network of personal and social relations existing in a formal organization. People in the organization do not always follow formal lines. Employees in one department know those in other departments. They may like to know what is happening in each others' department. In such cases informal organizations get developed. It does not have any definite structure. So it cannot be shown by any chart.

According to **Keith Davis**, "Informal organization is a network of personal and social relations not established or required by the formal

organization but arising spontaneously as people associate with one another.”

3.5.2 – CHARACTERISTICS OF INFORMAL ORGANIZATIONS :

1. It is a network of personal and social relations existing in a formal organization.
2. Informal organization represents human tendency to cut across formal channels and communication informally with other parts of enterprise.
3. It is established to develop personal and social relations.
4. It develops spontaneously and is not established by formal managers.
5. There is no question of granting authority and deciding responsibility as relations are social in nature.
6. There are no specific goals or well defined objectives to be achieved.
7. The relations are informal. Therefore there are no superior-subordinate relationships.
8. There are no rules and regulations to be followed.
9. It is not stable in nature. Relationship can come to an end at any time.
10. Communication among the people is informal communication known as ‘Grapevine Communication’.
11. There is no need for co-ordination.
12. It is all pervasive. It exists in every enterprise.
13. It is useful to serve personal and social relations. It provides social satisfaction.

3.5.3 – RELEVANCE OF INFORMAL ORGANIZATIONS :

The informal organization has great and unavoidable relevance in the organization. It goes hand in hand with the Organizational culture. The organization’s management can use the informal organisation fruitfully by understanding the lateral value of informal organisation.

The informal organization consists of the personal relationships and means of communication that are often necessary to accomplishing the work of the organization but are not a part of the formal organization structure. An organization culture is the blend of the shared beliefs, attitudes and opinions about the company and what it stands for.

Following are the relevance of Informal Organisation with the business :

1. The informal organization and the organization’s culture are created by people all the way through the company.

2. Informal organization and culture are important aspects in the overall design of an organization because of their influence on the behaviour and performance of employees.
3. The management should not fail to recognize the rise of informal organization as it grows hand in hand with the formal organization and fills in some of the vital gaps in the formal organization.
4. Management can fulfil the needs of affiliation, affection, esteem, etc. of the workers by encouraging informal organization as it provides a shield to suck up the shocks of tensions and frustrations among the members arising due to the turmoil in formal organization.
5. Informal organization may act to fill in gaps in a manager's abilities.
6. Management can take the informal group leaders into confidence to intervene the management and the employees in case of chaos between them.
7. Manager can consult the leaders and seek their advice on human relations problems if he has built favourable relations with informal leaders.
8. The experienced employees can also be consulted when direction or guidance is needed in handling a work assignment or solving some problems connected with technical matters.
9. The new joiners can be made competent workers in their formal job assignments if induction training is provided to them by such informal group leaders if the manager asks for their assistance and cooperation for that.
10. Informal communications is very fast and ensures speedy transmission of information. So, management can use every aspect of informal organization to achieve the organization objectives.

3.5.4 – IMPORTANCE OF INFORMAL ORGANIZATIONS :

The importance of informal organization arises from the functions performed by informal groups. The primary function of informal organizations is basically to maintain cultural values of people. When people can associate themselves with each other socially, they always feel a sense of togetherness. The other function of informal organizations is to provide social satisfaction to members. Finally, an informal organization also provides an effective means of communication to its members. They can interact with each other freely and efficiently. Managers can use it to send across messages quickly and directly.

Following are the certain importance of Informal Organisation :

1. It assists a formal organization to become humanistic and prevents its dehumanization.

2. It blends with the formal organization to make it more effective.
3. The presence of informal organization encourages the manager to plan and act carefully. It gives support to the formal organization.
4. Informal organizations inculcate a sense of unity and togetherness among their members.
5. It leads to work satisfaction and stability in the organization.
6. It provides social as well as psychological satisfaction to group members. These are created to satisfy the needs of friendship, companionship, sense of belonging, security, etc. They get a platform to express their feelings.
7. As it provides the best means of human communication, managers also benefit from informal organizations by using them to understand the grievances of employees. Since employees freely interact with each other, they can unify and address their problems collectively.
8. It acts as an effective agency for social control of human behaviour.
9. It helps the formal organization to get the work done.
10. It increases co-operation among all the people in the organization.
11. The informal leader lightens the burden of the formal manager and tries to fill in the gap in the manager's abilities.
12. It provides a safety valve for employee emotions.

Check your Progress :

1. ----- and ----- are two of the internal structure of an organization.
2. Informal organization is the network of ----- and ----- relations.

Check your knowledge :

1. Example of Functional Organization in the current business era.
2. Recall the Informal organization seen by you.

Define :

1. SBU
2. Informal Organization

Explain :

1. Matrix Organization.
2. Committee Organization.

Answer the following :

1. Benefits of Functional organization.
2. Features of Informal Organization.

**3.6 AUTHORITY, RESPONSIBILITY,
ACCOUNTABILITY AND SPAN OF CONTROL**

3.6.1 – AUTHORITY :

A) Introduction :

In an organization, dividing work among people and coordinating their activities towards a common objective needs to be done efficiently. Authority and responsibility are two of the most important components of a smooth-functioning business.

In business, authority and responsibility need to be aligned appropriately. The manager requires authority and responsibility to accomplish any task. Authority means to authorize to do something, and responsibility means to act on something.

Authority is the key to managerial functions. A manager is in a position to influence his sub-ordinates only by use of authority. An individual without authority cannot occupy the position of a manager. Without authority there would be no superior-subordinate relationship and the organization will be in chaos. Authority always flows downward.

Authority refers to the official capacity to make a decision or take an action. Organisation authorizes the supervisors or managers to carry out certain tasks. Different functional managers may have different authorities assigned to them. For the decisions taken, authorized person is held responsible.

Authority, in simple words, is the legal right of commanding subordinates and exercising control by issuing orders and instructions and demanding obedience from the team. It gives the person (superior/ manager) power to take decisions. Authority is the power to command others and decide to act or refrain from acting to achieve the organization's goals.

B) Definition :

According to **Barnard**, "Authority is the character of a communication (order) in a formal organization, by virtue of which it is accepted by a contributor to, or member of the organization as governing the action he contributes; that is, as governing or determining what he does or not do, so far as the organization is concerned."

As **Simon** puts it, "Authority is the power to make decisions which guide the action of another. It is a relationship between two individuals—one of them superior, and the other a subordinate. The superior frames and transmits decisions, with the expectation that the subordinates will accept

and comply with them. The subordinate expects such decisions, and his behaviour is determined by them.”

C) Examples of Authority:

Following are some examples of Authority of Functional managers :

1. HR Managers are authorized to make hiring and termination decisions.
2. Finance Managers have authority for spending money on certain fields.
3. Purchase Managers possess authority to select suppliers, to sign a purchase order and so on.
4. General Managers are authorized to set deadlines and priorities.
5. Staffing Managers have authority to advice, support and service to line departments.
6. Project managers possess authority to successful implementation of the projecting by engineering different technical aspects of it.

D) Factors affecting successful implementation of Authority:

1. Atmosphere–

Favorable atmosphere is a basic requirement for successful implementation of authority. In favorable atmosphere relations can be maintained properly which helps to use authority successfully.

2. Faith and confidence–

For successful implementation of authority superior and subordinates should have faith and confidence in each other.

3. Interest in work–

The employees should have interest in the work given to them. If they are not interested in work then it is very difficult for the superiors to use authority.

4. Mutual respect–

Superiors and subordinates should have respect for each other. Then only both of them can co-operate for other's decisions.

3.6.2 – RESPONSIBILITY :

A) Introduction :

A basic essence of responsibility is obligation to perform the assigned task to achieve organisational objectives. As authority flows downward, responsibility flows exactly upward. Authority flows from a superior to subordinate while responsibility flows from a subordinate to a superior.

The basis of responsibility is superior-subordinate relationships existing in the organization. It may continue with the accomplishment of the desired objectives. In other words, a subordinate's obligations in any business unit will arise basically from his relationship with his superior who is given the authority to get something done.

It is the duty of the subordinate to perform organisational tasks, functions or activities assigned to him. Authority and responsibility go side by side. When authority is delegated then some responsibility for getting the assigned task is also fixed. One can delegate authority but not responsibility. The person responsible for the work is answerable for the results.

Responsibility is associated with authority. A person who has authority has a corresponding responsibility for the proper exercise of authority given to him.

What a manager is responsible for should be well defined. Job descriptions are most often a list of responsibilities and management focus on ensuring that those responsibilities are being met.

Whether an individual exercises the authority himself or gets it exercised through others, he remains responsible to his own superior for proper performance.

B) Definition :

Keith Davis defines, "responsibility is an obligation of the individual to perform the assigned duties to the best of his ability under the direction of his executive leader."

According to **Theo**, "responsibility is the obligation of a subordinate to perform his duty as required by his superior."

In the words of **Koontz and O'Donnell**, "Viewed internally with respect to the enterprise, responsibility may be defined as the obligation of a subordinate, to whom a superior has assigned a duty to perform a service required. The essence of responsibility is then, obligation."

Allen states "By responsibility we mean the work or duties assigned to a person by virtue of his position in the organisation. It refers to the mental and physical activities which must be performed to carry out a task or duty. That means every person who performs any kind of mental or physical effort as an assigned task has responsibility.

George Terry defines "Responsibility is the obligation to carry out assigned activities to the best of his abilities."

C) Features of Responsibility :

The following are the characteristics or features of responsibility:

1. Responsibility comes from superior-subordinate relationship.

2. It arises from duty assigned.
3. It always flows upward from juniors to seniors.
4. It is the obligation to complete the job as per instructions.
5. Responsibility may be discharged by accomplishing single task.
6. Responsibility is a personal attribute.
7. It is absolute and can never be delegated or shifted to others.

D) Examples of Responsibility :

Following are some examples of Responsibility:

1. Managers are responsible to answer to the senior or responsible authority.
2. Managers are responsible to perform tasks as per job requirements.
3. Managers are responsible to provide a healthy work environment to employees, and so on.
4. Project manager is expected to deliver the tasks related to the project as required by his/her superior.
5. A Production manager could be responsible for a particular step in a manufacturing process and thus responsible for the people and machines that perform that step.
6. Responsibility of Production manager entail ensuring the team understands and follows policy and procedures while the machines are well maintained and safe.

3.6.3 – ACCOUNTABILITY :

A) Introduction :

Accountability refers to answerability for the accomplishment of the task assigned by the superior to his subordinates. When the subordinate accepts authority and responsibility, at the same time he accepts accountability for the same work. It becomes his obligation to 'account for' and 'report for' the discharge of responsibility. These obligations involve carrying specific actions that you complete in order to fulfill the assigned role and a member of an organization. Accountability in the workplace refers to a person's commitment to their tasks.

Accountability is a liability of a subordinate for proper discharge of his functions. Accountability cannot be delegated.

What managers are accountable for should also be well defined with clear boundaries, metrics, timelines, and be agreed to by both the senior leader and the manager.

Organizations understand the importance of accountability and for good reason. When a company fosters a culture of accountability, there are significant positive outcomes.

B) Definition :

Webster's Dictionary says, "Accountability is the obligation or willingness to accept responsibility for one's actions."

According to **Henry Evans**, the author of 'Winning with Accountability', accountability is "clear commitments that in the eyes of others have been kept."

As per **McFarland**, "accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility."

C) Features of Accountability :

The following are the characteristics or features of Accountability :

1. Accountability cannot be delegated and everyone in the organization stands accountable to his superiors.
2. Accountability cannot be reduced despite delegating the authority.
3. Accountability is always upward as subordinate remains accountable to the boss above him.
4. Accountability is unitary in the sense; a subordinate should be accountable to only one boss.

D) Importance of Accountability :

Following are the certain importance of Accountability :

1. Accountability helps in the smooth functioning of the workplace.
2. Accountability reduces the time spent on unproductive and distracting activities that do not take individuals closer to their defined goal.
3. Employees monitor their leaders to understand what is acceptable and how they themselves should operate.
4. It increases performance as there are rewarding the results of achievement.
5. Accountability increases collaboration.
6. It inspires individuals to exceed their goals and improve their performance.
7. It builds trust as each individual, team and department knows they can rely on one another.
8. Accountability ensures cohesiveness.

9. It promotes employee engagement because it has been shown when individuals feel empowered to find solutions to achieve their goals, that sense of ownership is a key driver in employee engagement.
10. Accountability fosters better work relationships, trustworthiness, cooperation, and responsibility.
11. It improves job satisfaction, and helps teams work more effectively together.

E) Examples of Accountability :

Following are some examples of Accountability :

1. For everyone working in the organization, accountability lies in the liability for completing assigned task in the scheduled time efficiently and effectively with minimum or without wastage of resources to fulfill the organizational objectives and to achieve the profits.
2. A Sales Manager is accountable for achieving the agreed-upon revenue targets for a given time period, which could be a quarterly or annual target.
3. A Purchase Manager is accountable for procuring the required materials for maintaining the sufficient stock for production.
4. A Production Manager is accountable for arranging the required men, material & resources for completing the accepted order.
5. A Finance Manager is accountable for ensuring adequate flow of finance in the business for carrying out all financial chores and maintaining the optimum finance for future endeavors.
6. For a General Manager, being respectful to external stakeholders like clients or customers.
7. For every employee in the organization, accountability means meeting deadlines and working according to plan to achieve results.
8. For all managers, accountability is finding solutions to complex problems to get back on track.

3.6.4 – DIFFERENCE BETWEEN AUTHORITY, RESPONSIBILITY AND ACCOUNTABILITY:

Authority can be delegated whereas responsibility cannot be delegated. After delegation of the authority, responsibility for the same remains with the superiors only. For this subordinates cannot be held responsible. Once authority is accepted, responsibility automatically comes and person becomes accountable for the same. Thus accountability need not be delegated. Person is responsible and answerable for the authority accepted.

While there is a good deal of similarity between Authority, responsibility and Accountability and these are interrelated terms, there is difference between all three.

Following table depicts the difference between Authority, Responsibility and Accountability :

Basis of difference	Authority	Responsibility	Accountability
Meaning	Authority is the right of commanding subordinates and exercising control by issuing orders and instructions.	Responsibility is the obligation to perform the assigned task.	Accountability refers to answerability / liability for the accomplishment of the task.
Expectation of others	Authority expects the subordinates to follow his orders and demanding obedience from the team.	Responsibility is not contingent on the expectations of others.	Accountability is being held to someone account for another person or action or result.
Required action	Action of Authority involves delegating works and orders to others.	Individuals who feel a sense of responsibility often takes action because of their own personal ideals.	Accountability requires that a person take definitive action.
Concerned with values	Authority is concerned with exercising power or rights.	Responsibility is more values driven, coming from within.	Accountability is obligation / Commitment for something.
Base / Origin	It originates from the job position in the organization as per the organizational hierarchy or scalar chain.	It arises from delegated authority.	Its takes place from the responsibility.
Direction of flow	Authority flows downward, from a superior to subordinate.	Responsibility flows upward, from a subordinate to a superior.	Accountability flows upward, from a subordinate to a superior.
Delegation	Authority can be delegated.	Responsibility cannot be delegated.	Accountability cannot be delegated.

Finally to conclude we can say that, authority, responsibility and accountability should be equal to each other in any position. There should be a proper balance between all three.

3.6.5 – SPAN OF CONTROL :

A) Introduction :

Span of control is also called as span of management or span of supervision Span of Authority as well. This concept was introduced by Sir Ian Hamitton. It was supported by V.A.Graicunas and Urwick. There is a limit on the number of persons that can be managed by a manager at a time. Span of control deals with this concept.

Span of control refers to estimating the optimum number of subordinates that can be effectively managed and supervised by a manager at a time. It is a primary factor that determines the shape of the organization.

It depicts the organization's size and workgroups as the levels of management are created based on the span of control expressed by comparing managers with employees.

B) Definition :

1. **Dimock** defines, “Span of control is the number and range of direct, habitual communication contacts between the chief executive of an enterprise and his principle fellow officers.”
2. According to **Lois Allen**, “Span of control refers to the number of people that a manager can supervise.”
3. **Peterson and Plowman**, “Span of control refers to the maximum number of subordinates which may be placed under the jurisdiction of one executive immediately superior to them.”
4. **Elliott Jaques** has the view-point that a manager may have up to as many immediate sub-ordinates that he can know personally in the sense that he can assess personal effectiveness.
5. In the words of **Haimann and Scott**, “Span of control as the number of subordinates who can be effectively supervised and managed.
6. **Longenecker** simply defined span of control as the number of immediate subordinates reporting to a given manager.

C) Types of Span of Control :

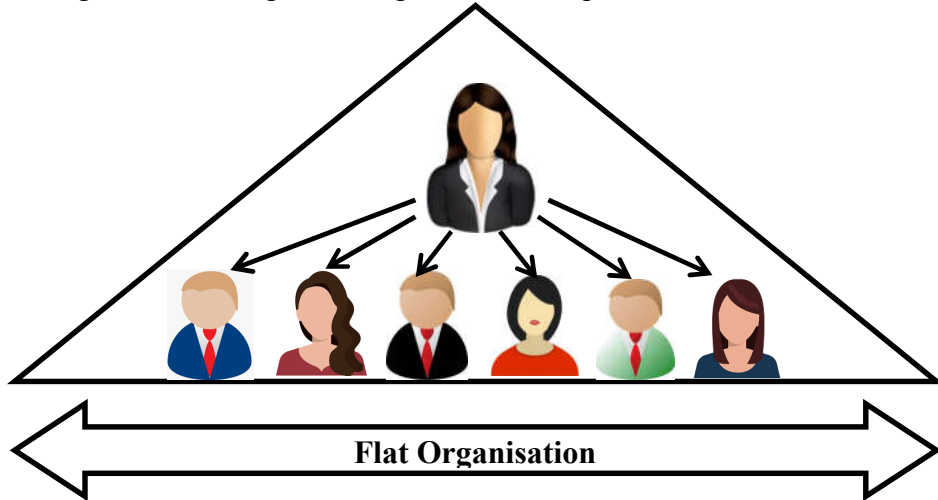
The types of Span of Control are :

1. Wide
2. Narrow

The flatter organization has a wide span of control, whereas the taller organization has a narrow span of control.

1. **Wide Span of Control**–

When one manager manages or supervises many subordinates, it shows a wide span of control. It is also called Operative Span as it is generally applicable at the lower or operating managerial level. The wide span involves simple working and leads to a flatter organizational structure. The organizations large in size go for a wide span of control.

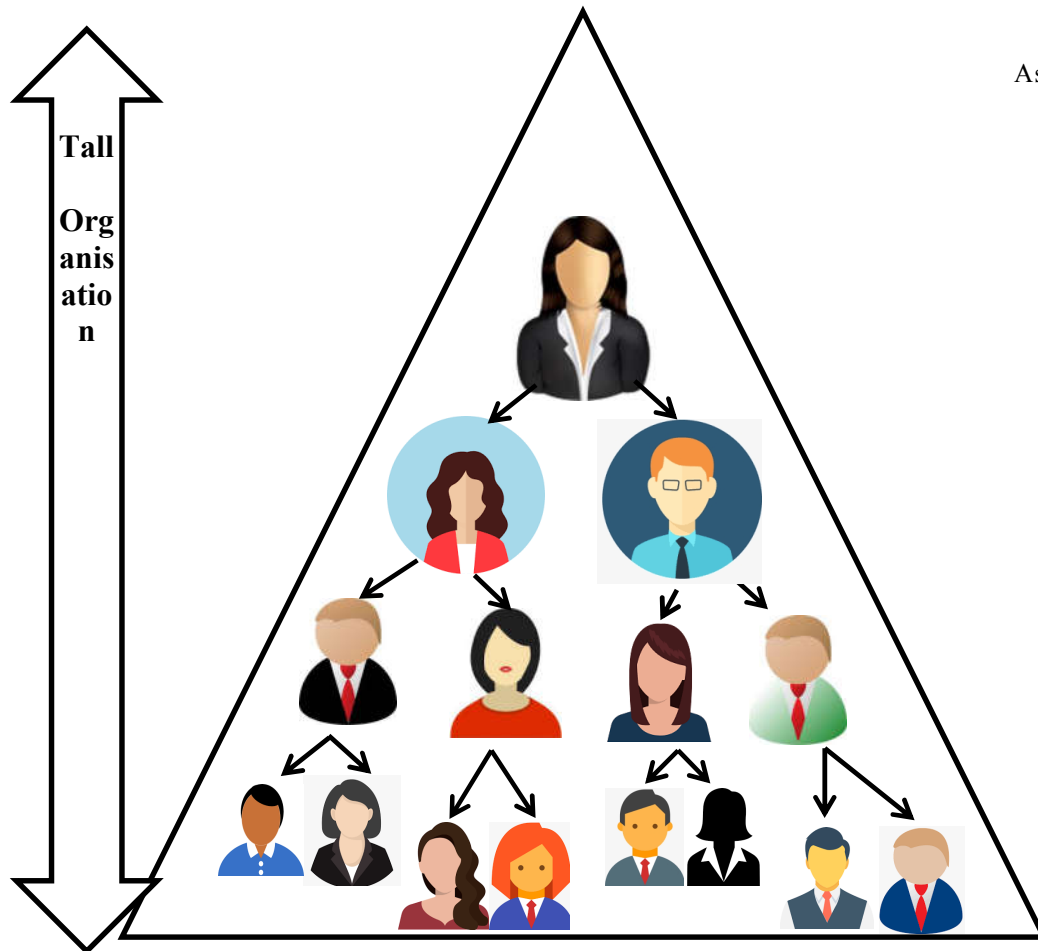


It involves less operating cost and is highly adaptive to the changes. The supervisors have excellent coordination and communication horizontally & vertically because of the fewer levels.

2. **Narrow Span of Control** –

When one manager manages or supervises a few subordinates, it shows a narrow span of control. It is also called the Executive span because it is applicable at the top or middle managerial level. Organizations opt for narrow span when the nature of work is complex and requires more assistance from the superior.

A narrow span contains fewer subordinates at a single level. It results in an increased number of management levels making an organization taller in structure.



D) Importance / Advantages of Span of Control :

Span of control is very important principle of organizing. The importance of span of control can be explained as follows:

1. Superior can concentrate on important work–

Due to proper span of control superiors/ supervisor gets enough time to concentrate on important activities. If span of control is unreasonably large, then superior may not be able to concentrate on important areas or functions as his time will be spent more for supervision.

2. Good relations-

Proper size of span of control facilitates to maintain good relations between managers and subordinates.

3. Team work-

Proper span of control facilitates team work in the organization. As relations are healthy, it develops good team spirit amongst all.

4. Quick actions-

Because of good co-ordination, relations and team spirit, quick actions are possible.

5. Increased efficiency-

Due to proper supervision efficiency of the organization increases.

6. Corporate image-

Due to higher efficiency and good relations, corporate image of the organization develops.

7. Motivates personnel-

Proper size of span of control motivates subordinates. As subordinates are close to their superiors, they get proper guidance from time to time.

8. Reduces labor absenteeism and turnover–

As all the employees are part of co-coordinated team, it develops morale of the employees. It results into less labor absenteeism and turnover.

E) Factors affecting Span of Control:

Various factors that affect size of span of control are explained as follows:

1. Nature of work–

If the work to be performed is of routine nature, then span of control can be large. But if work is complex and complicated then there should be few subordinates in span of control as manager will have to spend more time on discussion rather on supervision.

2. Experience of subordinates–

If subordinates are enough capable and experienced then span can be large whereas if there are less experienced subordinates then span should be less. This is because less experienced people require more supervision resulting into more time spent on supervision by superiors.

3. Capacity and experience of superior–

If manager is experienced and capable enough, span can be large; whereas new managers with less experience should be given few number of subordinates for supervision.

4. Extent of delegation of authority–

If manager delegates more and clear authority then much of his time will be saved which can be used for supervision. In this case span of control may be large.

5. Personal assistance–

If manager is able to use assistance from personal staff like personal assistant then he can handle more number of subordinates. As personal assistant is available, manager can spend more time on supervision.

6. Superior subordinate relations–

If the relations between superior and subordinates are sound, then size of span of control can be large. Good relations always develop good communication and team work.

7. Use of standing plans–

Standing plans are those plans which are used frequently. If the organization has developed proper standing plans then subordinates can follow the same. Then superior will not have to give more instructions resulting in the saving of time and size of span of control can be kept large.

8. Control system employed–

Size of span of control also depends upon control system employed in the organization. Good control system facilitates proper controlling of subordinates performance. This reduces supervision work of manager.

F) Examples of Span of Control:

Following are some examples of Span of Control :

1. Coca Cola - The span of control in Coca Cola is narrow, creating a tall organizational structure. They have 1 superior over every 3-5 employees.
2. Google- Earlier, the ratio of span of control in Google was 1 supervisor over 7 subordinates. They have widened their structure by increasing their span by 10 subordinates under 1 supervisor.

3.7 ORGANIZATIONAL HIERARCHY – CHARTS

3.7.1 - INTRODUCTION :

Organizational hierarchy refers to how an organization or a company is organized. Hierarchy is a way to structure an organization using different levels of authority and a vertical link, or chain of command between superior and subordinate levels of the organization. Higher levels control lower levels of the hierarchy. Organizational hierarchy can be thought as a pyramid.

In this system, the relationship between the owner, directors, managers and all the employees within the firm is distinct and cleared from the beginning.

In an organisational hierarchy everyone collectively works towards achieving only the company goals and objectives without deviating from their path.

3.7.2 - DEFINITION :

Ernest Dale wrote Organization Chart as “An organizational chart is simply a diagram of formal authority relations.”

George Terry defines an organization chart as “A diagrammatical form which shows important aspects of an organization, including the major functions and their respective relationships, the channels of supervision, and the relative authority of each employee who is in charge of each respective function.”

3.7.3 - ADVANTAGES / USES OF A CHART :

The organization chart offers the following advantages:

1. It shows job titles of each employee.
2. It indicates the number and type of departments.
3. It shows superior-subordinate relationship.
4. It indicates the chain of command and communication.
5. It helps in familiarizing and in training the new employees.
6. It provides an easy reference in case of organizational conflict.
7. It provides a basis for planning organizational changes, after having discovered the weaknesses of the existing organizational structure.
8. It enables to visualize the organization at a glance, rather than going through a lengthy description about it.
9. It shows if there is any overlapping or duplication in functions and as such corrective action can be taken to do away with duplication of activities.
10. It provides a lot of information at a glance to the outsiders.

3.7.4 – LIMITATIONS OF A CHART :

1. A chart shows who has authority over whom, but it does not show the extent of that authority.
2. It shows job titles but it does not give details of duties which each person is expected to perform.
3. It does not show the relationship with other groups and individuals who do not report directly to a particular manager.
4. The chart does not reveal the full picture of the organization, especially that of a large concern.
5. It cannot show informal relationship existing in the firm.
6. A chart may develop feelings of superiority and inferiority which may pose a problem for team work.
7. It shows organization structure at the time when it was drawn up. It becomes out of date as changes occur in an organization, unless efforts are made to keep the chart up-to-date.
8. In the absence of dynamic management, a chart gives rigidity to the organization because each individual prefers to remain within his charted areas.

3.7.5 – ESSENTIALS / PRINCIPLES OF A GOOD CHART :

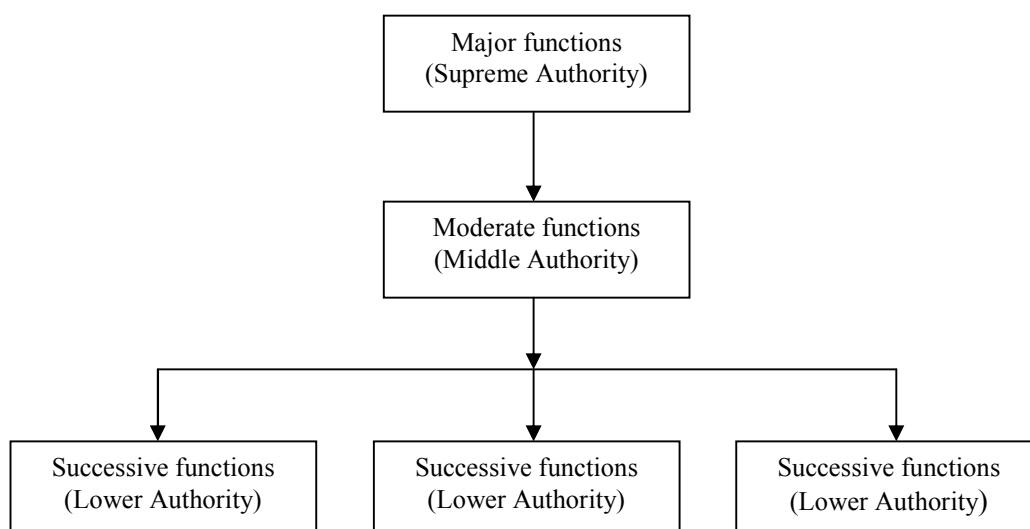
1. The chart should permit flexibility. Whenever, there are changes in the organization, it should permit such changes.
2. There should be a clear flow of authority from the top management to subsequent levels. Each level and the chain of command should be clearly depicted in the chart.
3. The chart should depict clearly the position and responsibility of each and every member so as to avoid conflicts.
4. Every position in the organization should be assigned to a responsible person.
5. It should provide easy reference at a glance to the members of the organization as well as to the outsiders.
6. It should clearly show the lines of co-ordination between various individuals and groups or sections.
7. There should not be any duplication in the position.
8. It should clearly show the promotional avenues for members of the organization.

3.7.6 –TYPES OF CHARTS :

There are several kinds of charts. The various types of charts are as follows:

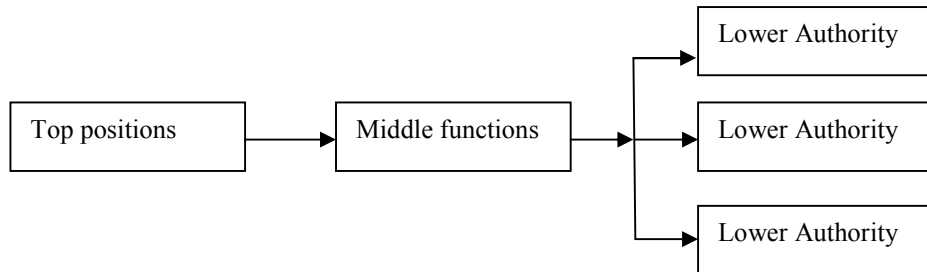
1. Vertical Charts : (From Top to Bottom) –

This is the most common and popular type of charts. Almost all companies prefer to use vertical charts. In this chart, major functions are shown at the top and the subordinate functions are shown in successive lower positions. In other words, the supreme authority is at the top, while the lower authority is shown at the bottom.



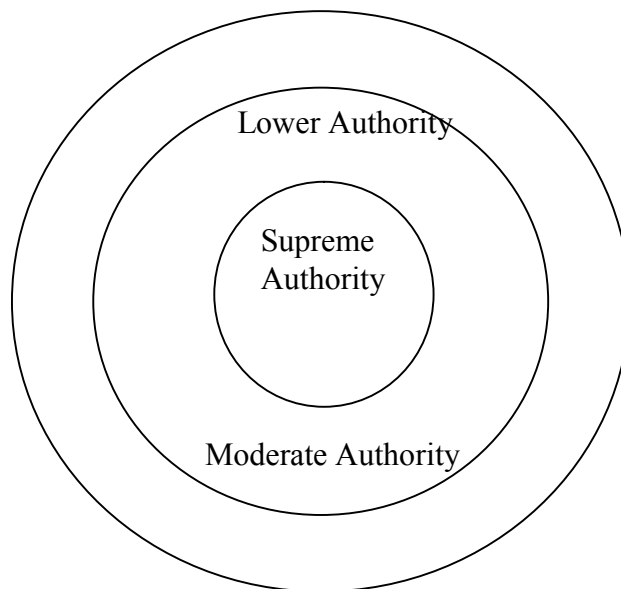
2. Horizontal Charts : (From Left to Right) –

In this type, the top positions are shown at the left and those with lower authority are shown towards the right. This type of chart is rarely used.



3. Circular Charts : (From Inner to Outer) –

In this type of chart, the position and authority are shown in the circles. The centre circle represents the supreme authority, and the outer circles represent the lower authority. The higher the position of authority, the nearer they are to the centre, and the lesser the positions of authority, the more distant they are from the centre.



4. Departmental charts :

These are also known as supplementary charts. They show the structure of a particular department, giving details of positions, authority and responsibility within the department. For instance, the marketing department may have a separate chart of its own.

5. Master chart :

This is the overall chart of the organization. It shows the entire structure of the organization- the divisions, the departments, the sections, etc. and indicates the overall relations of its major components.

6. Personnel chart :

It shows the job titles with the names of the position holders.

Check your Progress :

1. Authority is the legal ----- of commanding subordinates.
2. Types of Span of Control are : ----- and -----.

Check your knowledge :

1. Examples of Authority.
2. Examples of Accountability.

Define :

1. Span of Control.
2. Organisational Hierarchy.

Explain :

1. Difference between Authority, Responsibility and Accountability.
2. Importance of Span of Control.

Answer the following :

1. Factors affecting successful implementation of Authority
2. Types of Charts.

3.8 DELEGATION OF AUTHORITY AND DECENTRALIZATION

3.8.1 – DELEGATION :

Delegation is a process by which a superior transfers formal authority to his subordinates. It is a transfer of authority from higher authority to the lower authority.

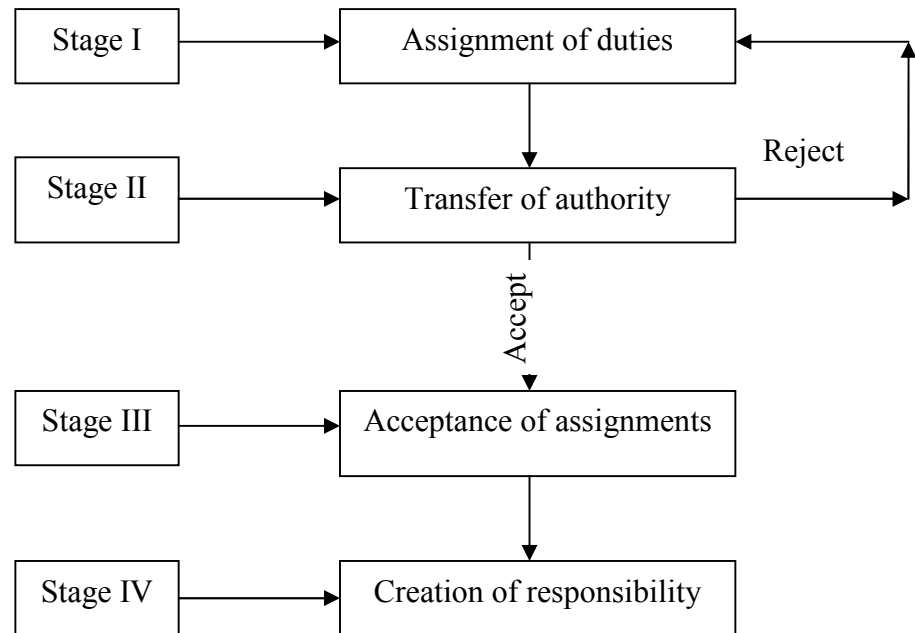
A) Definition :

John Pearce and **Richard Robinson** define delegation of authority as “a process by which a manager assigns tasks and authority to subordinates who accept responsibility for those jobs.”

According to **George Terry**, “Delegation means conferring of authority from one executive or organization unit to another.”

B) Process of delegation of authority :

The process of delegation of authority is explained as follows :



Stage I:

Here the delegator finds out the work to be assigned to delegate.

Stage II:

Here the delegator actually transfers the work to the delegate.

Stage III:

At this stage delegated work can be either accepted or rejected by the delegate. If it is accepted, then process continues. But if it is rejected then delegator will have to start again with the process by delegating to someone else.

Stage IV:

If the work is accepted by delegate then responsibility will be created for the delegated work. It is the responsibility of both delegator and delegate to accomplish the assigned work (job / task) properly in the stipulated time.

C) Significance of delegation of authority :

The process of delegation of authority is important for both i.e. superior and subordinates.

The significance of delegation of authority can be explained as follows:

1. Reduction in burden on superiors–

By delegation of authority the work of superior gets reduced. Superior can use this saved time for concentrating on important areas.

2. Quick action–

As authority is distributed among superior and subordinate, fast decisions are taken. This leads to higher efficiency and better results.

3. Motivation–

Delegation of authority acts as motivation for the subordinates. Subordinates get opportunity to handle the authority of superiors.

4. Better relations–

Delegation of authority leads to better relations between superior and subordinates. As authority is transferred to subordinates, team spirit increases. This results into higher productivity.

5. Facilitates Training and Development–

As subordinates get opportunity to take decisions, it increases their skills. As subordinates perform superior's authority, they get a chance to learn managerial functions.

6. Reduction in wastages–

Due to delegation of authority subordinates work with more care, responsibility and concentration. This leads to better efficiency and wastages are reduced.

7. Basis of Performance Appraisal–

Delegation of authority facilitates proper performance appraisal of the subordinates. After delegation superior can judge the ability of subordinates.

8. Expansion and Diversification–

Delegation of authority is required for expansion and diversification of the organization. For expanded activities authority need to be distributed among superior and subordinates.

D) Barriers to effective delegation of authority :

Delegation of authority is very important process for all the types of organizations as it offers many advantages. But practically there are many barriers to delegation of authority. These barriers are on the part of superior as well as subordinates. Some of the barriers are explained as follows:

I. Barriers on the part of superiors :

1. Unwillingness to delegate–

Some managers are not willing to delegate the authority. They want to do the things on their own.

2. Desire to dominate–

Some managers want to dominate among subordinates by exercising complete authority. So they are not ready to delegate.

3. Lack of confidence–

Sometimes managers may not have faith and confidence in subordinates. They feel that if delegated, the subordinates may not perform well.

4. Fear of competition–

Sometimes managers are not ready to delegate to competent subordinates. Managers may have fear about subordinates' excellence.

5. Inability to direct–

Proper direction is required to be given by the superior to subordinates after delegation. But if managers do not have ability to direct subordinates, then they may not delegate.

6. Fear of losing control–

Some managers feel that, they will lose control if the authority is delegated. They want to have complete control over subordinates so they do not delegate.

II. Barriers on the part of subordinates :

1. Lack of self-confidence–

Many times subordinates do not have self-confidence. Due to this, they are not ready to accept the authority.

2. Fear of criticism–

Sometimes subordinates have fear of criticism by others. They feel that if authority is accepted, others will criticize them.

3. Fear of getting exposed–

Subordinates, who are involved in malpractices, do not accept authority. This is because they have fear of getting exposed.

4. Lack of information–

In some cases subordinates are not ready for delegation because they may have an idea that they may not get enough information required to complete delegated work.

5. Lack of incentives–

If managers do not provide proper incentives for delegation then subordinates may not be ready to accept delegation.

6. Undue interference by superiors–

If the superiors have a tendency to do undue interference in subordinates work, then subordinates may not like that. This will lead to rejection of delegated authority.

3.8.2 – DECENTRALIZATION :

A) Meaning :

Decentralization is the tendency to disperse decision making authority in an organization structure. In decentralization only broad powers are reserved at top level and routine authority will be delegated at the lower level. In every organization there is need to have a proper balance between centralization and decentralization. No organization can be completely centralized or decentralized.

B) Definition :

1. According to **Henry Fayol**, “Everything that goes to increase the importance of the subordinate’s role is decentralization, everything that goes to reduce it, is centralization.”
2. In the words of **Louis Allen**, “Decentralization refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.”

C) Factors affecting Decentralization :

1. Cost and importance of decision–

If the decisions to be taken are costly and of important nature then there will be less decentralization and more centralization.

2. Availability of managers–

If the numbers of competent managers are available enough in the organization, then decentralization will be more.

3. Desire of uniformity–

If the management wants to have uniformity in all the decisions taken throughout all the levels then degree of decentralization will be less.

4. Management philosophy–

If management is following professional approach then they will decentralize more. Management with broad mind, provide opportunity to subordinates to participate in decision making.

5. Control techniques–

If there are proper control systems implemented in the organization, the degree of decentralization will be more. Managers will not be able to delegate if there are no good control techniques available.

6. Size of the organization–

Generally large organization has more degree of decentralization compared to small organization.

7. Decentralized performance–

Decentralized performance means operations of the company are carried on by various branches. In this case there will be more decentralization.

8. External factors–

External environmental factors such as government policies, licensing, etc. affect degree of decentralization.

D) Importance of Decentralization:

1. Less burden on top management–

By decentralization the work of top management gets reduced. Top level managers can use this saved time for concentrating on important areas.

2. Quick action–

As authority is distributed among all the levels, fast decisions are taken. This leads to higher efficiency and better results.

3. Motivation–

Decentralization acts as motivation for the lower level and middle level managers. Lower level managers get opportunity to handle the authority and to take decision.

4. Facilitates Training and Development–

As lower and middle level executives get opportunity to take decisions, it increases their skills. They get a chance to learn managerial functions. Thus decentralization facilitates training and development of the lower and middle level executives.

5. Reduction in wastages–

Due to decentralization lower level managers work with more care, responsibility and concentration. This leads to higher efficiency and wastages are reduced.

6. Expansion and Diversification–

Decentralization is required for expansion and diversification of the organization. For expanded activities authority need to be distributed among all the levels of management.

7. Specialization–

Decentralization follows the principle of division of work. Work is distributed among all the levels. Top management concentrates only on important areas whereas others decide about routine work.

8. Better control–

The span of control becomes effective due to greater degree of decentralization. This leads to better supervision and controlling of performance at all the levels.

3.9 EMERGENCE OF VIRTUAL ORGANIZATION

3.9.1 – INTRODUCTION :

A virtual organisation is referred to as a flexible network of entities that are linked by computing technologies to share knowledge and skills. This electronic network goes beyond organizational and geographical boundaries.

The virtual organization exists within a network of alliances to perform their work using the internet, phones and e-mails. i.e. ICT (Information and Communication Technology) tools, to sustain, maintain and enable the sharing of resources in distributed work environments as they do not have a base or geographical location.

In Virtual Organization, the core of the organization can be small but still the company can operate globally; it even can be a market leader in its niche. Although none sell in huge numbers, there are so many niche products that are made highly innovative which collectively make significant profit and brings success for the organisation.

Virtual organization can also be a temporary alliance between two or more organizations that come together to achieve specific objectives. The participants in virtual organisation are inter- dependence to each other; being closely coupled by upstream with its suppliers and downstream with its customers. It can be composed of different participants every day.

The project organisation gets winded up once the target is achieved for which the project was formed. It may remain functional as long as the consumer demand exists.

3.9.2 - DEFINITION :

Virtual organisation refers to a new organizational form characterized by a temporary or permanent collection.

A virtual organisation is defined as an organisation that is dependent on electronic linking to complete the process of production. It can be of permanent or temporary nature and can include groups, individuals dispersed at various locations, the entire organisation or even an organizational unit. In simple terms, a virtual organisation is referred to a company with an electronic presence and one who does not have a physical existence.

It is formed informally as an alliance between two or more legal entities of independent nature.

3.9.3 – CHARACTERISTICS OF VIRTUAL ORGANIZATION :

Following are the characteristics of Virtual Organisation :

1. No separate entity–

Participating organizations don't have clear rules like traditional organisation. It has neither central office nor organizational chart.

2. Interdependence–

Virtual organizations are mostly interdependent with each other making it possible to deliver a product collaboratively. All the alliance partners use combined working method for proper development of the organisation.

3. Temporary in nature–

Virtual organisation is generally temporary in nature and terminate once the desired objectives are achieved.

4. Importance of role of Information & Communication Technology (ICT)–

Virtual organisation largely depends on the ICT for developing & diversification of organization's informational networks. It becomes easier to spread over geographical boundaries as the world wide communication is spread within few seconds. It provides platform for start-up companies to link up work together from the scratch.

5. Changing participants –

In this type of organisation participants may change day by day. One day the organisation may be a part of a network formulating virtual organisation along with others networks; the other day virtual organisation could be composed of other organisation.

6. Excellence –

Each partner brings his core competence and skills in the virtual organisation resulting in the increase in efficiency of the organisation due to the joint efforts. Virtual organisation can provide excellent performance in a particular project or product by availing world class product or services with competent feature & process.

7. Trust & Respect -

Mutual trust & respect of each other play important role in development of virtual organisation. Expansion, Diversification and modification of virtual organisation largely depend on the trust of the members with each other.

3.9.4 – TYPES OF VIRTUAL ORGANIZATIONS :

1. Telecommuters-

This type of virtual organisation hires employees that work from home and interact with their workplace via personal computers and using headphone and microphone.

2. Completely virtual-

These types of virtual organizations are linked to a network of retailers, distributors, suppliers and customers.

3. Outsourcing employees-

This type of companies outsource almost all or a significant part of core competencies. The virtual organisation owes one or two core competencies at which it is excellent and hires the rest. The areas for outsourcing generally include information system, manufacturing, finance, engineering, etc.

3.9.5 – MERITS OF VIRTUAL ORGANIZATION :

The popularity of Virtual organisations is growing for a number of reasons. It's proving to be beneficial to the employers (organisations) as well as employees offering following considerable advantages :

1. Lower Overhead Costs for organization–

Virtual organizations enjoy significant reduction in operating costs for the associated services (e.g., computer, office space, maintenance costs, communication between virtual and in-house staff, benefits, etc.) By switching to a remote work setup, organisation can decrease these expenses drastically.

For instance, company no longer need to pay rent and utilities like gas, electricity, water and heating and cooling facilities, food and cafeteria expenses during working hours, regular cleaning services, real estate taxes (if applicable), provide PPE (personal protective equipment), sanitation supplies or even change workplace layout to make office safe for employees.

According to Global Workplace Analytics, employers can save almost \$11,000 annually per half-time virtual employee.

All of this contributes to a carbon footprint reduction – as a company and as individuals.

2. Cost savings for employees-

Employees can also experience significant savings. The Global Workplace Analytics survey showed that remote employees could save somewhat between \$600 to \$6000 annually by cutting expenses such as commuting costs, etc.

3. Improved Employee Satisfaction –

Employees are happier when they are able to work from home. Many of them have reported that they have lower stress levels. The study also showed that a shift towards remote work led to fewer absences and a higher morale in employees.

4. Improved Employee Efficiency –

Remote employees get more work done without or with less communications with the office resulting into accomplishing more tasks in less time.

5. Improved Employee Productivity –

Employees feel more productive and tend to have fewer distractions at home. As a result, they're able to give their undivided attention to any given task and work more compared to in-office.

Members of virtual organisations tend to have higher focus on the task at hand. As a practice, virtual organisation supports flatter organization structure. The members do not have to deal with unnecessary bureaucracy which slows down the decision making. This enhances the productivity which yields into higher profits.

6. Improved Scalability and Growth Potential –

Apart from office overheads, fewer investments in supplies lead companies to free up capital and utilize it to improve their scalability and growth potential.

7. Larger Global Talent Pool –

Traditional teams often have to rely on local talent to recruit a larger pool of talent, but a virtual organization can access candidates with diverse backgrounds, skill sets, and knowledge bases from across the globe without limiting them to one specific geographic location or country of origin.

This brings the experts and specialists worldwide to work together on the project. Increased knowledge sharing and greater innovation happens as organization's human capital share their understanding of global and local markets as well as best business practices.

Virtual Organisations allow firms to expand their potential labour markets enabling them to hire and retain the best people regardless of their physical locations.

8. Flexible work schedules for employees-

Remote working can also be linked to flexible work schedules that let employees work around important personal tasks, such as doctor appointments, family functions, etc. without needing an entire day off. They can start work when best for them, take regular breaks and create their own schedule which can help improve productivity. Some employees can even

work on multiple projects of multiple organisations or do freelancing work simultaneously.

Virtual Organisations can be organized whether or not members are in reasonable proximity to each other. Employee can be assigned to multiple, concurrent teams.

Virtual Organisations' membership allows people to move from one project to another.

9. Improved Employee Retention –

Employees that are happier in their work are more likely to stick around. With competitive salaries, remote workers are less likely to leave their jobs. Employees' turnover ratio gets reduced resulting into less layoff of employees.

In a virtual workplace, employers don't have to worry about relocation costs. If an existing employee has to move, he can continue working with the company without missing a beat. As a result, companies can retain valued employees and need not stress over hiring replacements every time an employee relocates.

10. Access to New Markets –

Hiring remotely provides access to the firms to tap into new markets. This is particularly useful when it comes to remote sales teams, who will be able to reach out to new customers that otherwise would have been out of reach for the firm.

11. Affordability –

With virtual organisations, companies pay only for the level of support that they require. They achieve tremendous reduction in cost for paying professional consultancies and headhunters that have large infrastructures and professional fees to support. It attains use of outside experts without incurring expenses for travel, logging and downtime.

12. Flexible support –

Companies can set the length of the service according to their needs.

13. Full suite of services –

Virtual organisation offer access to multiple disciplines in different geographic regions.

14. Healthy Work-Life Balance –

With remote work, employees have more time for their loved ones and experience less stress. Remote workers save commuting time and spend it how they wish and can eliminate the significant source of stress by morning and evening commute.

Telecommuting (remote working) also justifies for people with disabilities and mental health concerns. These people usually have a home office setup to help them succeed during work while providing the required self-care.

Employees can accommodate both personal and professional lives. All these factors significantly improve employees' quality of life and their work-life balance.

15. Newer Opportunities –

Virtual organisations have created newer opportunities for people who are less mobile and hesitant to relocate due to either family requirement or physical challenge. Any task that does not require the physical presence of a person and which can be supported by communication technology provides an opportunity for many deserving candidates.

16. Faster (Reduced) Time to Market –

When global virtual organisations are spread across various time zones, there could be different team working on the same project 24X7, when one member sleeps there will be another one somewhere else awaking, who would start work where the former had left or slept. For instance, a developer in India can take over once the American developer finishes his work. This results into switching of work between different employees which ensures that there is no discontinuation or break in the work in the ongoing project.

Such constant collaboration and teamwork will increase company's productivity. Company will be able to release a new product into the market sooner and stay ahead of the competition. This shortens the product development time as well as faster response time to demands in both global and local markets.

When this happens, business can spread its wings to new product developments, opt for inclusive policies and adopt novel hiring practices thereby expand business hours, increase business' reach, and cater to more clients.

17. Transparency & availability of information –

Virtual Organisations' communication and work reports are available online to facilitate swift responses to the demands of the (global) market.

3.9.6 – LIMITATIONS OF VIRTUAL ORGANIZATION :

1. The lack of physical interactions with its associated verbal and non-verbal indications and also the synergies that often accompany face-to-face interaction.
2. Non-availability of para-verbal and non-verbal signals such as voice, eye movement, facial expression and body language which help in better communication.
3. Problem of facing security and compliance issues by virtual organisations.

3.10 SUMMARY

Organising is an important function which involves synchronization and combination of allocation of duties and responsibilities among people and important resources to achieve the organisational goals by carrying out work systematically.

Organising is based on some commonly accepted principles of organising as: Objectives, Specialization, Co-ordination, Delegation of authority, Short chain of command, Balance, Continuity, Simplicity, Span of control, Flexibility, Authority and responsibility and Unity of command.

Departmentalization is a process of grouping all the organisational activities into functional units on the basis of their area of specialization for effective management to achieve organisational goals.

Departmentalization is based on different factors as :Departmentalization by functions, by area, by product, by customer, by time and by numbers.

There are many advantages of Departmentalization as Departmentalization facilitates specialization of activities as per the skills of the people. It helps to fix authority and responsibility of each department thereby achieves controlling and supervision in the organisation. It facilitates better services to customers. It results into optimum utilization of resources resulting into development of the organisation.

There are two internal structures of an organisation: Formal and Informal. Formal organisation is a structure of well-defined jobs having definite authority and responsibility specially designed to achieve the common organisational goals. The balance is maintained in it by assigning rules and regulations to all employees establishing Superior-Subordinate relationship ensuring coordination and formal communication among all.

There are various forms of formal organisations as :Functional, SBU, Matrix and Committee organization. They are unique in themselves having distinct characteristics, structure and importance.

Informal organisation refers to relationship between people based on their personal attitudes, emotions, likes, dislikes, etc. Informal organisations exist in the formal organisation nevertheless established or required by it but arising spontaneously as people associate with one another. No authority and responsibility is delegated in informal organisation and so no specific goal is achieved. No rules and regulations are to be followed and no need of coordination is there in case of informal organization. It includes a sense of unity and togetherness among the members of the organisation which provides social as well as psychological satisfaction to them. It provides safety value for employees' emotions resulting into increase in cooperation among them. It helps the formal organisation to get more works done by becoming more effective.

Authority is the legal right of commanding subordinate and exercising control by issuing orders and instructions, power to take decision or actions to achieve organisational goal. Authority is delegated and it flows downward from superior to subordinate.

Responsibility is the obligation of subordinate to perform the assigned tasks to accomplish the desired organisational objectives. It is associated with Authority. Responsibility cannot be delegated and it flows upward from subordinate to superior.

Accountability is the answerability of subordinate for the accomplishment of the task assigned by the supervisor for the discharge of responsibilities which involves carrying specific actions to fulfill the assigned role. When the subordinate accepts authority and responsibility, simultaneously accountability comes on his shoulder. Accountability cannot be delegated and it flows upward from subordinate to superior.

Span of control refers to estimating the optimum number of subordinates that can be effectively managed and supervised by a manager at a time. It determines the shape of the organisation and depicts the organisation's size and workgroups as the levels of management are based on it.

There are two type of span of control : Wide and Narrow. Wide span of control attributes to one manager supervising many subordinates. It is applicable at lower or operating manager level and its simple working leads to flatter organisational structure. Narrow span of control attributes to one manager supervising few subordinates. It is applicable at top or middle management level where the nature of work is complex and requires more assistance from the supervisor. Fewer subordinates at single level increase the management level making it taller in the structure.

Advantages of span of control are : Superior can concentrate on important work, good relations are maintained by achieving team work with quick actions and result into increased efficiency with improved corporate image motivating personnel and reduces labour absenteeism and turnover.

Organisational hierarchy is a way to organise its structure using different levels of authority or chain of command between superior and subordinate where everyone collectively works towards achieving the organisational goal. In this system the relationship between the owner, directors, managers and all the employees within the firm is distinct.

There are different types of Organisational hierarchy / charts as Vertical, Horizontal, Circular, Departmental, Master and Personnel chart.

Delegation of authority is a process by which superior transfers formal authority to his subordinates. Different stages are involved in the process of delegation of authority.

Advantages of delegation of authority are : Reduction in burden on superiors, Quick action, Motivation, Better relations, Facilitates Training and

Development, Reduction in wastages, Basis of Performance Appraisal, Expansion and Diversification.

Decentralization refers to dispensing decision-making authority in an organization.

Advantages of decentralization are :Less burden on top management, Quick action, Motivation, Facilitates Training and Development, Reduction in wastages, Expansion and Diversification, Specialization, Better control.

A Virtual Organisation is referred to as a flexible network of entities that are linked by electronic and ICT Technologies to share knowledge and skills beyond organisational and geographical boundaries. It does not have fixed or physical existence. Its members are spread across various locations. Virtual Organisations are interdependent with each other whose participants are of changing nature. Though they are separate entities, each partner brings excellence in his core competencies and skills where mutual trust and respect lies between each member.

Types of Virtual Organisations are : Telecommuters, Completely Virtual and Outsourcing employees.

Advantages of Virtual Organisation enjoyed by employer and employees both are :Lower Overhead Costs for Organization, Cost Savings for Employees, Improved Employee Satisfaction, Improved Employee Efficiency, Improved Employee Productivity, Improved Scalability and Growth Potential, Larger Global Talent Pool, Flexible Work Schedule for Employees, Improved Employee Retention, Access to New Markets, Affordability, Flexible Support, Full Suite of Services, Healthy Work-Life Balance, New Opportunities, Faster or Reduced Time to Market; and Transparency and Availability of Information.

3.11 EXERCISES

State whether following statements are True or False :

1. The structure of organization should be complex.
2. Departmentalization by Customer is based on the similar activities.
3. Informal organization is based on personal attitudes, emotions, like, dislikes, etc.
4. Matrix organization is a combination of two or more structures.
5. An organizational chart is a diagram of informal authority relations.

Select the most appropriate option from the given :

1. Which of the following is not the principal of Organization?
 - (a) Continuity,
 - (b) Simplicity,
 - (c) Span of Control
 - (d) None of the above

2. Select the correct example of Departmentalization by Product :

- (a) Mumbai.. Kolkata ... Chennai .. Bengaluru
- (b) Vineet ... Ulhas ... Meera Akshay
- (c) Glucose biscuits ... Marie biscuits ... Cream biscuits ... Diabetes biscuits
- (d) Production ... Sales ... Marketing ... Finance

Write short notes on :

- 1. 'Balance' as the Principle of Organizing.
- 2. Departmentalization by functions.
- 3. Structure of SBU.
- 4. Factors affecting Span of Control.
- 5. Barriers to effective Delegation of Authority.
- 6. Importance of Decentralization
- 7. Organizational Charts
- 8. Benefits of Virtual organization

Give brief answers :

- 1. List out the principles of Organizing.
- 2. Elaborate on the benefits of Departmentalization.
- 3. What is the relevance of Informal Organization ?
- 4. Differentiate between Authority and Responsibility.
- 5. Factors affecting Decentralization.
- 6. Limitations of a chart.
- 7. Characteristics of Virtual organization.

Match the columns :

Column 'A'	Column 'B'
i) Dept. by area	a) Batch of 50
ii) Dept. by product	b) Konkan
iii) Dept. by function	c) Finance
iv) Dept. by customer	d) Crackjack
v) Dept. by numbers	e) Middle class



STAFFING

Unit Structure

- 4.0 Objective
- 4.1 Introduction
- 4.2 Importance of Human Resource in organizations
- 4.3 Estimation of Human Resource requirements
- 4.4 Human Assets Accounting
- 4.5 Job Analysis
- 4.6 Recruitment and Selection
- 4.7 Training and Development
- 4.8 Performance Appraisal
- 4.9 Summary
- 4.10 Exercise

4.0 OBJECTIVES

After studying the unit the students will be able to :

1. Understand the concept of Staffing.
2. Know the importance of Human Resource in the organisation.
3. Discuss the estimations of Human Resource requirements.
4. Explain the techniques of estimating Human Resource requirements.
5. Understand the concept of Human Assets Accounting.
6. Bring out Objectives, Benefits and Limitations of Human Assets Accounting.
7. Understand the concept of Job Analysis.
8. Analyse the components of Job Analysis.
9. Evaluate the importance of Job Analysis.
10. Elaborate Job Description and Job Specification.

11. Understand the concept of Recruitment and Selection.
12. Know the different sources of Recruitment of the Managerial position.
13. Explain the Internal and External sources of Recruitment.
14. Understand the concept Selection.
15. Bring out the steps of Selection process.
16. Understand the concept Training and Development.
17. Know about the advantages of Training to the Company and Candidates.
18. Explain the types and methods of Training.
19. Explain the On-the-Job and Off-the-Job Training.
20. Elaborate the Principles of Training.
21. Understand the concept Performance Appraisal.
22. Bring out the Need and Methods of Performance Appraisal.
23. Evaluate Judgmental Appraisal and Objective Methods of Performance Appraisal.
24. Explain the uses of Performance Appraisal.

4.1 INTRODUCTION

The long term success of a company is usually examined on certain financial and non-financial parameters. Human resources (personnel) are among these new nonfinancial parameters that plays vital role in determining the corporate success. Human resources represent the collective expertise, innovation, leadership, entrepreneurial and managerial skills endowed in the employees of an organisation.

Staffing is the managerial function of recruitment, selection, training, developing, promotion and compensation of personnel. It is the process of hiring eligible candidates in the organisation or company for specific positions. In management, staffing refers to an operation of recruiting the employees by evaluating their skills, knowledge and then offering them specific job roles accordingly.

Staffing involves the process of filling the vacant position by the right personnel at the right job at the right time ensuring everything occurs in the right manner.

4.1.1 - MEANING :

Staffing is the filling of the various posts provided in the organisation. It involves finding the right person for the right job having the right

qualification and experience according to their ability, talent, aptitude, and specializations. It is that part of the process of management which is concerned with obtaining, utilizing and maintaining a satisfactory and contented workforce. Today, staffing may involve any combination of employees including daily wagers, permanent salaried employees, consultants and contract employees.

In order to carry out the staffing function, i.e. to fill the roles designed in the organisation structure, first of all, identifying requirements of the workforce, followed by recruitment, selection, placement, promotion, appraisal and development of personnel should be undertaken.

The staffing function includes the following components:

1. Recruitment and selection of employees,
2. Placing the right person at the right job,
3. Performance appraisal of the employees,
4. Promotion and transfer of employees,
5. Training and development,
6. Motivation and rewarding the employees.

4.1.2 – DEFINITION :

1. Staffing may be defined as the process of hiring and developing the required personnel to fill in the various positions in the organisation.
2. **H. Weihrich and H. Koontz** define staffing as “Filling and keeping filled, positions in the organization structure.”
3. According to **Massie**, “The staffing function includes the process by which the right person is placed in the right organizational position.”
4. **Koontz and O’Donnell** say, “The managerial function of staffing involves managing the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure.”

4.2 IMPORTANCE OF HUMAN RESOURCE IN ORGANIZATIONS

There are no two opinions that people alone will determine the fate and future of the organization. Therefore, management should place proper focus on the Human Resource i.e. the staffing function.

The staffing function takes place once Planning and Organizing functions are accomplished.

Human Resource (HR) plays a key role in developing, reinforcing and changing the culture of an organisation. HR plays a significant role in developing positive business culture and improving employee engagement and productivity.

The HR function also takes the lead on employee wellness and personal development. HR plays an essential role in developing a company's strategy as well as handling the employee-centered activities of an organisation.

HR provides a number of services to employees as below :

1. Strategic Management-

HR personnel expertise in strategic management participates in corporate decision making that underlies current stopping assessment and projections for future workforce needs based on business demand.

2. Wages and Salaries–

HR personnel specialist in developing realistic compensation structure, maintain compensation cost in line with the organization's current financial status and projected revenue that set company's wages competitive with other business in the area in the same industry or companies competing for employees with similar skills.

3. Analyzing Benefits-

HR personnel specialist in Benefit Analysis reduces the company's cost associated with turnover, reduction and hiring replacement workers. As they have the skills and necessary expertise to negotiate group benefit packages considering the organization's budget and consistent with prevailing economic conditions.

4. Safety and Risk Management-

HR expertise in Workplace Safety and Risk Management develop the programs that reduce the number of workplace injuries and fatalities. They design such job specifications to engage employees in promoting awareness and safe handling of dangerous equipments and hazardous chemicals.

5. Reduces Legal issues-

HR specialist in relations resolve workplace issues of the organisation and protects the organisation in legal matters and saves it from further harassment.

6. Training and Development-

HR expertise in Training and Development provides training that supports company's fair employment practices and employee development to prepare future supervisors and managers.

7. Employee Empowerment-

HR specialists in employee relations strengthen the employees' morale by conducting employee opinion surveys, involve employees in some important decision making and adopt employee's input regarding jobs satisfaction and follow the procedure by which employees' morale gets elevated and consequently they get empowered.

8. Recruitment and Selection-

HR recruiters manage the employment process scratch from screening resumes to scheduling interviews to processing new employees.

9. Hiring Process-

HR professionals co-ordinate with hiring managers by providing them guidance on hiring processes to ensure that the company extends offers to suitable candidates.

10. Maintaining Compliance-

HR professionals ensure that organisation complies with the prevailing laws, contracts, rules regulations and procedures, etc.

Check your Progress :

1. HR personnel expertise in ----- participate in corporate decision making.
2. HR specialists in ----- develop programs to reduce workplace injuries.

Answer the following :

1. How employee empowerment is achieved by HR ?
2. How HR helps in reducing the legal issues ?

4.3 ESTIMATION OF HUMAN RESOURCE REQUIREMENTS

4.3.1 – INTRODUCTION :

Staffing is an ongoing process that begins with finding the right people through proper planning, recruiting, and selecting.

The first step in the staffing process involves human resource planning. Human resource planning begins with a job analysis. Job analysis is then followed by a human resource inventory, which catalogs qualifications and interests. Next, a human resource forecast is developed to predict the organization's future needs for jobs and people based on its strategic plans and normal attrition. The estimation of human resource requirements (forecast) is then compared to the inventory to determine whether the

organization's staffing needs will be met with existing personnel or managers will have to recruit new employees or terminate existing ones.

4.3.2 – MEANING :

Estimation of human resource requirement is the forecasting process of driving judgment of requirement of approximate quantity of the future human resource requirement.

Potential human resource requirement is to be estimated keeping in view the organization's plans over a given period of time.

4.3.3 FACTORS AFFECTING ESTIMATION OF HUMAN RESOURCE REQUIREMENTS:

HR Demand Forecasting is the process of estimating the future human resource requirements in appropriate quality and quantity.

It's the function of the human resources or HR department to forecast and fulfill the hiring needs of an organization.

Estimation of Human Resource requirements can be internal to the organization or external to the industry and economy at large specified as under :

A) Internal Factors :

It's a critical role of the HR department of estimating the HR requirements for the smooth functioning of all departments. Following are some internal factors affecting human resource planning :

1. Recruitment needs-

The vital internal factor affecting estimation of human resource requirements is the recruitment needs of various departments to fill vacant positions.

Replacement needs of employees due to death, resignations, retirement, termination, absenteeism and labour turnover, etc. places requirements on HR.

2. Budget-

Budgetary constraints for hiring new employees, training and development, up-scaling or re-scaling of staff, increment, bonus, etc. also affect the estimation of HR requirements.

3. Retrenchment policies-

Organizations need to let people go who are underperformers or who had been hired for a specific project or location that's shutting down. This affects the estimation of HR requirements.

4. Productivity of employees-

Organisation having skilled or unskilled labors, fatigue, work pressure, work environment, etc. affects the productivity of the organization.

5. Organizational changes-

Appointing or removing people change according to organizational changes taking place within the organization such as growth and expansion, modernization, diversification, termination of business, etc.

B) External Factors :

Apart from above mentioned internal factors, some external factors also affect the estimation of human resource requirement as below :

1. Employment opportunities-

Estimation of human resource requirement is affected by the employment situation prevailing in the country. The companies may be more pressurized from government to appoint more people in the countries having greater unemployment opportunities. On the contrary, companies may have to appoint people from other countries facing shortage of skilled labour.

2. Technological changes-

Technology changes taking place at the high pace enable the company to require new people having the updated technological knowledge and skills. Sometimes, companies retain existing employees and train them with the new technology whereas some companies have to recruit new workforce by removing the existing ones who are unable to update.

3. Demographic changes-

Changes in age, gender, population, composition of workforce etc. are the Demographic changes which take place in the industry. The deserving new candidates with fresh blood getting appointed on the place of retiring employees, transfer, turnover, attrition, replacement due to unskilled or non updated with latest technology, etc. can change the appointment or the removal position in the company.

4. Multicultural workforce-

Workforce travelling from country to country in search of a job also should be accounted for estimating human resource requirements.

5. Pressure groups -

Certain Pressure Groups existing in the society stands as the important factor to affect estimation of human resources requirements. As the opponents for the new project citing pollution or environment issues, Land-losers, pressure of recruitment of favorable candidates from local

politicians, Human rights activist, woman activist, media etc. create problems for the company.

6. Unforeseen conditions -

The situations that arise out of the control of the organization can cause massive changes to how the organization plan strategies for requirements of HR. The Covid-19 pandemic is a current example. Almost overnight, businesses had to adapt to closures, social distancing norms and disruptions in the supply chain.

7. Natural or environmental conditions-

Natural disasters and climate change cause changes in the future estimation of HR requirements.

4.3.4 TECHNIQUES OF ESTIMATING/FORECASTING HUMAN RESOURCES REQUIREMENT :

Different techniques are opted by organizations for estimating / forecasting Human Resource requirements. Some of them are mentioned as follows :

1. Managerial Judgement–

Managerial judgement technique is very common technique of Estimating /Forecasting human resources requirement. It is implemented by large as well as small scale organisations.

This technique involves two types of approaches i.e. 'bottom-up approach' and 'top-down approach'.

Under the 'bottom-up approach', line managers send their departmental requirement of human resources to top management. Top management ultimately forecasts and estimates the human resource requirement for the overall organisation on the basis of proposals of departmental heads.

Under the 'Top-down approach', top management forecasts and estimates the human resource requirement for the entire organisation and various departments. This information is supplied to various departmental heads for their review and approval.

However, a combination of both the approaches i.e. 'Participative Approach' should be applied for estimation of human resource requirement. Under this approach, top management and departmental heads meet and decide about the future human resource requirement. So, demand of human resources can be forecasted unanimously under this approach.

2. Work-Study Technique–

This technique is also known as 'work-load analysis'. This technique is suitable where the estimated work-load is easily measurable. Under this method, estimated total production and activities for a specific future

period are predicted. This information is translated into number of man-hours required to produce per units taking into consideration the capability of the workforce. Past-experience of the management can help in translating the work-loads into number of man-hours required. Thus, demand of human resources is forecasted on the basis of estimated total production and contribution of each employee for producing each unit item.

While estimating the future work hours needed, human resource management professionals must take into consideration -

- Resignations
- Dismissals
- Strikes
- Technical difficulties
- Absenteeism
- Turnover rate

The following example gives clear idea about this technique. Let us assume that the estimated production of an organisation is 3,00,000 units. The standard man-hours required to produce each unit are 2 hours. The past experiences show that the workability of each employee in man-hours is 1,500 hours per annum. The work-load and demand of human resources can be calculated as under :

- i) Estimated total annual production = 3,00,000 units
- ii) Standard man-hours needed to produce each unit = 2 hrs
- iii) Estimated man-hours needed to meet estimated annual production :
(i x ii) = 6,00,000 hrs
- iv) Workability/contribution per employee in terms of man-hour
= 1,500 units
- v) Estimated no. of workers needed (iii / iv) = $6,00,000/1,500 = 400$ units

The above example clearly shows that 400 workers are needed for the year. Further, absenteeism rate, rate of labour turnover, resignations, deaths, machine break-down, strikes, power-failure etc. should also be taken into consideration while estimating future demand of human resources/ manpower.

3. Ratio-Trend Analysis–

Demand for manpower/human resources is also estimated on the basis of ratio of production level and number of workers available. This ratio will be used to estimate requirement of human resources. The following example will help in clearly understanding this technique.

- i) Estimated production for next year = 3,00,000 units
- ii) No. of man-hours required to produce 1 unit = 200
- iii) Estimated no. of workers needed
(on the basis of ratio-trend of 1: 200) will be = 1500

4. Econometrics Models–

These models are based on mathematical and statistical techniques for estimating future requirement of human resources. Under these models relationship is established between the dependent variable to be predicted (e.g. manpower/human resources) and the independent variables (e.g., sales, total production, work-load, etc.). Using these models, estimated demand of human resources can be predicted.

5. Delphi Technique-

Delphi technique is also very important technique used for estimating demand of human resources. This technique takes into consideration human resources requirements given by a group of experts i.e. managers. The human resource experts collect the manpower needs, summarize the various responses and prepare a report. This process is continued until all experts agree on estimated human resources requirement.

6. Mathematical Models-

Mathematical model shows the relationship between independent variables and the dependent variables. These models express various factors influencing manpower needs in the form of a formula.

There are several types of models, e.g., regression, optimization models, probabilistic models, etc. These are complex and suitable only for large organizations.

Future demand for human resources depends on several factors, some of which are given below:

(a) **Employment Trends** - By comparing and analyzing the staff during the past five years, the company can judge its trends in the manpower.

(b) **Replacement Needs** - These depend on firstly retirement, and then on death, resignation, and termination of employees. Its assessment is on the basis of past experience and retirement situation in the future.

(c) **Productivity** - Improvements in productivity effects manpower needs better utilization of existing manpower is one method of securing gains in productivity. Automation and computerization is another method of productivity improvement. It will affect both the quantity and quality of manpower. Matching of skills with job requirements is the third method. Hence, Job analysis techniques are helpful in such a matching.

7. Other Techniques–

- i) Following are the other techniques of estimation of Human Resources requirement :
- ii) Following the techniques of demand forecasting of human resources used by other similar organisations,
- iii) Organisation-cum-succession-charts,
- iv) Estimation based on techniques of production,
- v) Estimates based on historical records,
- vi) Statistical techniques e.g. co-relation and regression analysis.

Check your Progress :

1. Econometrics models are based on: ----- and ----- techniques.
2. ----- technique takes into consideration human resources requirements given by a group of managers.

Check your knowledge :

1. Guess the meaning of the term labour turnover.
2. Difference between Work-Study technique and Ratio-Trend analysis.

Explain :

1. The difference between ‘Bottom-up’ and ‘Top-Down’ approach.
2. The essence of Econometrics model.

4.4 HUMAN ASSETS ACCOUNTING

4.4.1 INTRODUCTION :

Human resources are considered as important assets and are different from the physical assets.

Hence, the valuations of human resources along with other assets are also essential to find out the total cost of an organization. In 1960s, Rensis Likert along with other social researchers made an attempt to define the concept of human resource (assets) accounting (HRA). It's also called as **Human Resource Accounting (HRA)**.

4.4.2 MEANING :

Human Resource Accounting (HRA) is the process of identifying and reporting investments made in the human resources of an organization that are not taken into account in the conventional accounting practices. It is an

extension of standard accounting principles. Measuring the value of the human resources can assist organizations in accurately documenting their assets. Human Resource Accounting is a term applied by the Accountancy Profession to quantify the cost and value of employees of their employing organisation.

This implies that human resources or assets should be capitalized in the financial statements. Conventionally, the costs of all human resources are cumulated and charged against the income of the period in which they were incurred. The reason for capitalizing these or some of these costs is that, there could be benefits derived from these costs in future periods.

Human resource accounting is the accounting methods, systems, and techniques, which coupled with special knowledge and ability, assist personnel management in the valuation of personnel in their knowledge, ability and motivation in the same organization as well as from organization to organization. It means that some employees become a liability instead of becoming a human resource. HRA facilitates decision making about the personnel, i.e. either to keep or to dispense with their services or to facilitate them mega-training.

4.4.3 DEFINITION :

- 1. American Accounting Association** defined Human Assets Accounting as “The process of identifying and measuring data about human resources and communicating this information to interested parties”.
- 2.** In the words of **Flamhoitz**, HRA as “Accounting for people as an organizational resource. It involves measuring the costs incurred by organizations to recruit, select, hire, train, and develop human assets. It also involves measuring the economic value of people to the organization”.
- 3.** According to **Stephen Knauf**, “HRA is the measurement and quantification of human organizational inputs such as recruiting, training, experience and commitment”.

4.4.4 OBJECTIVES OF HRA :

The objective of HRA is not merely the recognition of the value of all resources used by the organisation, but it also includes the management of human resources which will ultimately enhance the quantity and quality of goods and services.

The main objectives of HR Accounting system are as follows:

1. To furnish cost value information for the organisation for making proper and effective management decisions about acquiring, allocating, developing and maintaining human resources in order to achieve cost effective organizational objectives.
2. To help the organisation to plan an estimated budget for human resource expenses well in advance which include acquisition cost,

training cost, cost for expansion of the human assets, salaries and wages etc.

3. To monitor effectively the use of human resources by the management.
4. To have an analysis of the human assets i.e. whether such assets are conserved, depleted or appreciated.
5. To aid in the development of management principles and proper decision making for the future by classifying financial consequence of various practices.
6. To increase managerial awareness of the value of human resources.
7. To aid in better human resource planning.
8. To guide management for making proper and effective management decisions about people based on an improved information system.
9. To assist the organization in effective utilization of manpower.

4.4.5 – BENEFITS OF HRA :

The main purpose of Human Resource Accounting is to help human resource professionals and senior managers to use the human resources of an organization efficiently and effectively.

Human Resource Accounting is intended to provide the users with information to acquire, develop, allocate, conserve, reward and utilize human resources.

Following are the merits of accounting of human assets :

1. The system of HRA discloses the value of human resources, which helps in proper interpretation of return on capital employed.
2. Managerial decision-making can be improved with the help of HRA.
3. The implementation of human resource accounting clearly identifies human resources as valuable assets which help in preventing misuse of human resources by the superiors as well as the management.
4. It helps in efficient utilization of human resources. It helps management in planning and executing personnel policies. The management will be helped in making decisions regarding transfers, promotions, training, retirement, retrenchment of human resources, etc.
5. This system can increase productivity because human talent, devotion, and skills are considered valuable assets, which can boost the morale of the employees.
6. It can assist the management for implementing the best methods of wages and salary administration.

7. Human resource accounting will give the cost of developing human resources in the business. This will enable the management to ascertain the cost of labour turnover also.
8. The investment on the development of human resources can be compared with the benefits and results derived. Efforts should be made to control avoidable expenditure on wasteful expenditure on human beings.
9. The return on investment can realistically be calculated only when investment on human resources is also taken into account.
10. With the help of HRA, it can be seen whether the business has made proper investment in human resources in terms of money or not.
11. Human resources accounting also help in improving the efficiency of employees. The employees come to know of the cost incurred on them and the return given by them in the form of output, etc. It will motivate employees to increase their worth.

4.4.6 – LIMITATIONS OF HRA :

HRA is yet to gain impetus in India due to some challenging situations; few are mentioned below :

1. The theory of using HRA as a tool of management facilitating better and effective management of human resources hasn't yet found the support of empirical evidence.
2. There are no clear cut and specific procedures or guidelines or universally accepted method for finding costs and value of human resources of an organization.
3. Adopting of ideal method for valuation of Human assets creates conflicts in the organisation as some have merits as well as demerits.
4. As the human resources are incapable of being owned, retained, and utilized, unlike physical assets, this poses a problem to treat them as assets in the real sense.
5. So far firms are providing only additional information since no standardized procedures are developed yet.
6. Certain standards accepted commonly under conventional accounting are not possible under this method.
7. All the methods of accounting for human assets are based on certain assumptions, which can get disproved at any moment. For example, it is assumed that all workers continue to work with the same organization till retirement, which doesn't stand true many times.
8. It is believed that human resources do not suffer depreciation, and in fact they always appreciate, which can also stand wrong in certain firms.

9. The lifespan of human resources cannot be estimated as the period of existence of human resources is uncertain. So, the valuation seems to be unrealistic.
10. There is a constant fear of opposition from trade unions as valuation of employees would make them claim rewards and compensations.
11. Nevertheless the importance and relevance of Human Assets Accounting, the tax laws don't recognize human beings as assets.

Define :

1. Human Assets Accounting.

Explain :

1. What does system of HRA disclose ?

4.5 JOB ANALYSIS

4.5.1 – INTRODUCTION :

Job analysis is the starting point of recruitment and selection. It is a systematic process of collecting and studying the information about the various jobs in the organizations.

Job analysis refers to the systematic process of collecting all information about a specific job including skill requirements, roles, responsibilities and processes in order to create a valid job description.

Job analysis also gives an overview of the physical, emotional and related human qualities required to execute the job successfully. It is an important step in ensuring that the right candidate is selected. It helps the employer to have a clear picture of what is actually required of employees.

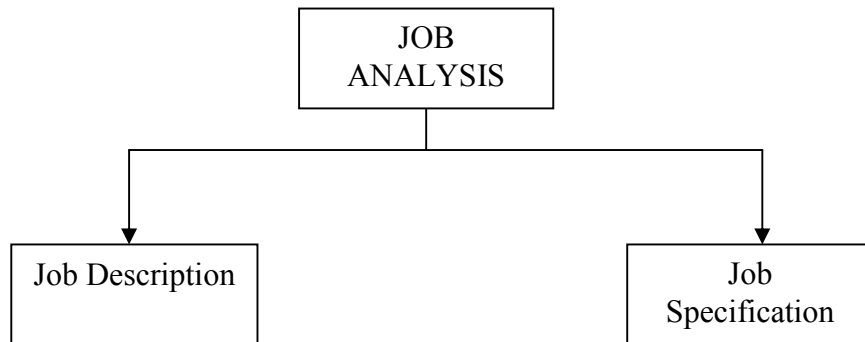
4.5.2 – DEFINITION :

1. Job analysis is the process of studying a job to determine which activity and responsibility.
2. In the words of **Edwin Flippo**, "Job analysis is the process of studying and collecting information relating to the operations and responsibility of a specific job."
3. According to **De Cenzo** and **Steven P. Robbins**, "Job analysis is a systematic exploration of the activities within a job. It is a basic technical procedure, one that is used to define the duties, responsibilities and accountability of a job."
4. **Holst** and **Pancoast** says, "Job analysis is a detailed and systematic study and presentation of information such as skills, knowledge, abilities and responsibilities related to the operation of a specific job."

4.5.3 – COMPONENTS OF JOB ANALYSIS :

Job analysis consists of two broad areas:

- i. Job Description and
 - ii. Job Specification.
- i. **Job Description** : Job Description gives details of the job in respect of duties, responsibilities and other aspects.
 - ii. **Job Specification** : Job Specification gives details relating to the candidate who is supposed to do the job, such as qualifications, experience, etc.



● Job title	● Qualification
● Duties and responsibilities	● Qualities
● Working Condition	● Experience
● Working hours	● Family background
● Salary and incentives	● Training
● Machines to be used, etc.	● Inter-personal Skills, etc.

4.5.4 – PURPOSE / IMPORTANCE OF JOB ANALYSIS :

1. It is the starting point of recruitment and selection. Properly analyzed jobs can be advertised effectively. Only the suitable candidates apply for the job. This facilitates proper selection.
2. Job analysis facilitates proper placement. The selected candidates can be placed at the right job depending upon their qualities, qualification and experience.
3. The company can undertake performance appraisal. The performance appraisal of the employees can be compared to the duties and responsibilities as stated in the job description. Accordingly, the company can find out the strengths and weaknesses of its employees.

4. Job analysis acts as a base for effective training. Those employees whose performance is weak can be identified and accordingly training can be provided to correct their weaknesses.
5. Job analysis acts as a base for job evaluation. The relative worth of each job can be found out by comparing the details provided by job description and job specification. Thus employees may be transferred from one department to another depending upon their performance.
6. Job analysis is useful to the candidate regarding acceptance of the job offer. The candidate can get clear and correct information about the duties, salary, working conditions, promotion opportunities, location of the job, etc. This facilitates the candidate's decision to accept or reject the job offer.
7. Job analysis facilitates promotion and transfers of employees. The performance of employees is compared against the job duties and responsibilities. Those employees may be transferred from one department to another depending upon their performance.

4.5.5 - JOB DESCRIPTION V/S. JOB SPECIFICATION :

JOB DESCRIPTION	JOB SPECIFICATION
Meaning : Job description gives details of the job in terms of duties, responsibilities, salary and incentives, etc.	Job specification gives details relating to the candidate who is expected to do the job such as qualities and qualifications.
2. Order : Job description proceeds job specification.	Job specification follows job description.
Job / Candidate Focus : Job description focuses on job / work related information.	Job specification focuses on candidate related information.
Nature : Job description is more complex in nature as compared to job specification as lot of work related data need to be generated.	Job specification is simpler in nature. If job description is done properly, then it is easier to generate details of job specification, as it follows Job Description.

<p>Contents : It contains the following: Job title Duties and responsibilities. Authority Salary and Incentives Working conditions Working hours Location of Job, etc.</p>	<p>It contains the following:</p> <ul style="list-style-type: none"> • Physical traits. • Mental Qualities. • Qualifications. • Family Background. • Inter-personal skills. • Training. • Experience, etc.
<p>Use to Candidate: It gives clear information about the job done. A newly selected candidate may accept or reject the job depending upon the job description.</p>	<p>It gives a clear idea about the requirements of the candidate. It helps the candidate to apply for the advertised job.</p>

Check your Progress :

1. Job Analysis consists of ----- and -----.
2. ----- is useful to the candidate regarding acceptance of the job offer.

Define :

1. Job Analysis
2. Job Description
3. Job Specification

Answer the following :

1. What does Job description detail ?
2. Which functions are carried out in Performance Appraisal in Job Analysis?
3. When employees are sent for effective training ?
4. How does Job Analysis invoke promotion and transfers ?
5. Which are the contents of Job Description and Job Specification ?

4.6 RECRUITMENT AND SELECTION

4.6.1 – RECRUITMENT :

Recruitment and Selection are two of the major functions of personnel management. Recruitment precedes selection and helps in selecting a right candidate.

Recruitment is a process to discover the sources of man-power to meet the requirements of the staffing schedule and to employ effective measures for attracting manpower in adequate numbers to facilitate effective selection of efficient personnel.

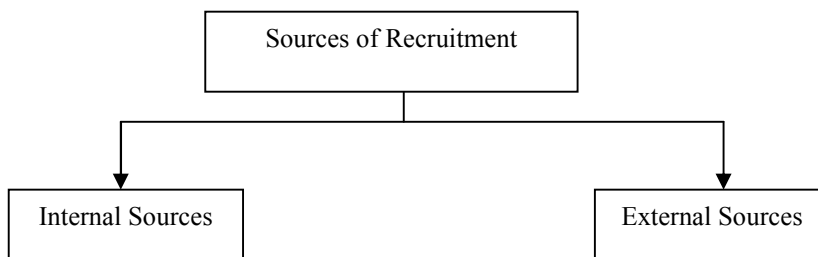
In simple words, it is a process of attracting people to apply for jobs available in the company.

A) Definition :

1. In the words of **Edwin Flippo**, "Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs."
2. According to **DeCenzo and Robbins**, "Recruitment is the process of discovering the potential for actual or anticipated organizational vacancies."
3. **William B. Werther** and **Keith** wrote as "Recruitment can be looked at the linking activity bringing together those with jobs and those seeking jobs."

B) Sources of Recruitment of Managerial Personnel :

The sources of recruitment refer to the areas of recruitment from which the potential employees can be attracted to apply for the job and accordingly selected. The sources of recruitment can be broadly divided into two groups:



● Promotion	● Consultants.
● Internal Ads	● Advertisement.
● Retirees	● Recommendations.
● Transfers	● Campus Recruitment.

I. Internal Sources :

The internal sources refer to sources from within the company. The various internal sources are as follows:

1. Promotions-

When a vacancy arises at a higher level, qualified and experienced employee from within the company can be promoted at the higher level. For instance, an understudy (deputy) candidate may be promoted to the post of his superior who has retired or promoted or transferred.

2. Transfers-

The vacancy can also be filled through internal transfers. An existing executive who is experienced and capable of handling duties in the new department can be transferred.

3. Retired Managers -

At times, retired managers may be recalled, especially for a short duration, when it is difficult to find a suitable candidate for the post from which the manager has retired. Again, young mothers may retire early to take care of their kids. Once the kids grow up, the company may recall back such employees. For example, TCS' latest drive to recall software engineer ladies who had to leave their job due to maternity leave and related issues.

a) Merits of Internal Sources :

1. It is time saving and economical as there is no need to advertise the "jobs" in external media and also no need to conduct interviews of several candidates.
2. There is no need for induction training, especially in terms of company-related information.
3. It reduces executive turnover.
4. It develops loyalty and a sense of responsibility.
5. The internal candidate is well versed with company's policies, rules and regulations.
6. It improves morale of the company personnel.

b) Demerits of Internal Sources :

1. It prevents candidates from outside with innovative ideas, fresh thinking and dynamism from entering the company.
2. It offers limited scope for selection and there is a possibility of not finding the required executive within the company.
3. The position of the person promoted or transferred falls vacant.

4. There may be bias or partiality in promoting or transferring personnel from within the company.
5. It may generate a feeling of discontent among those who are not promoted.
6. It requires well maintained confidential reports of employees so that the right executives is promoted or transferred.

II. External Sources :

It refers to sources from outside the company. It includes:

1) Management Consultants-

Some companies take the help of management consultants to select executive personnel for their organization.

2) Advertisements-

This is one of the most popular source of recruitment. Advertisement of the vacancy can be inserted in newspapers or business magazines. The ads can also be placed on the job related websites on the internet.

3) Campus Recruitments-

The company may also inform management institutes to send candidates studying courses in such institutes. At times the company recruitment committee may personally visit the institute campus and recruit the candidates. There can be recruitment of summer trainees who are presently studying in various institutes.

4) Recommendations-

The company may also recruit executives on the basis of recommendations received from existing managers or from sister concerns.

5) Other External Sources–

There can be various other external sources, such as head hunting, deputation of personnel by parent company, etc.

a) Merits of External Sources :

1. It encourages new talent with innovative ideas, fresh thinking, drive and dynamism to enter the company.
2. It offers wider scope in selection as there is a possibility of a large number of candidates with the requisite qualifications and experience appearing for the selection process.
3. There are less chances of partiality, as outsiders have less chance in influencing selection decisions.

4. It does not require well maintained confidential records.

b) Demerits of External Sources :

1. There are chances of existing executive turnover, as outsiders are given a chance.
2. It may not develop loyalty among the existing executives.
3. It is time consuming as lengthy selection process is required.
4. It is also expensive as advertisements and various tests need to be conducted.

Thus, it is clear that every concern has a number of alternative sources for recruitment purpose. However, the best source is to tap the internal one first and then external one. But in reality, the choice of internal or external source depends upon a number of factors, such as the nature of the job, time available for selection, skills required, costs involved, policy of the company, position of labour markets, and so on.

4.6.2 – SELECTION :

A) Meaning :

Selection is a process of selecting the right person for the right job. Today, professionally managed companies seek to find the right job for the right person.

The selection is the process of choosing the most suitable candidate for the vacant position in the organisation. In the other words, selection means weeding out unsuitable applicants and selecting those individuals with pre-requisite qualifications and capabilities to fill in the jobs in the organization.

It is the process of identifying an individual from a pool of job applicants with the requisite qualifications and competencies to fill the jobs in the organisation. It is an HR process that helps differentiate between qualified and unqualified applicants by applying various techniques.

B) Definition :

1. According to **Heinz Weihrich** and **Herold Koontz**, "Selection is the process of choosing from the candidates, from within the organisation or from outside, the most suitable person for the current position or for the future positions."
2. In the words of **Dale Yoder**, "Selection is the process by which candidates for employment are divided into two classes those who will be offered employment and those who will not."
3. **M. J. Jucious** has defined, "The selection procedure is the system of functions and devices adopted in a given company for the purpose of

ascertaining whether or not candidate possesses the qualifications called for by a specific job."

4. **Decenzo and Robbins** say, "Selection activities follow a standard pattern, beginning with an initial screening interview and concluding with Final employment decision."

C) Steps of Selection process :

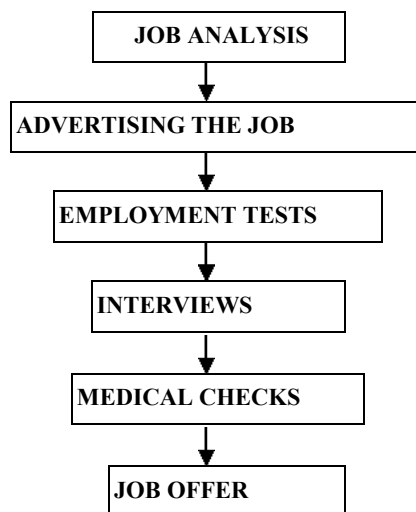
The selection process consists of a series of steps or techniques as follows:

1. **Job Analysis-**

The first step in selection process is analyzing the job. Job analysis consists of two parts:

- a) Job Description and
- b) Job Specification.

Job description provides information relating to the job. Job specification provides candidate related information. Proper job analysis helps to advertise the job properly. Accordingly, the right candidates may apply for the job, thus saving a lot of time and effort of the selectors /recruiters.



2. **Advertising the Job-**

The next step is to advertise the job. The job can be advertised through various media. The right details about the job and the candidate must be given in the advertisement.

3. **Initial Screening-**

The initial screening can be done of the applications and of the applicant. Applications which do not fulfill the basic requirements are kept aside. A preliminary interview is conducted at this stage to screen out the candidates so that only suitable candidates go through the further stages of selection.

Usually, a junior executive does the screening work. At this stage, the executives may check on the general personality, age, qualifications, family background of the candidate. The candidate may also be informed of salary, working conditions, etc.

4. Application Blank-

It is a prescribed form of the company which helps to obtain information about candidate in respect of social, biographic, academic, work experience, references, etc.

The application blank helps to-

- Provide the input to the interviewer.
- Provide basis to reject candidates if they do not meet eligibility criteria, such as experience, qualifications, etc.

5. Tests-

Various tests are conducted to judge the ability and efficiency of the candidates. The type of tests depends upon the nature of job and the philosophy of the management. An important advantage of testing is that it can be administered to a large group of candidates at a time and saves time and cost.

The various tests are:

Intelligence Test	To judge numerical, skills, reasoning, memory and such other abilities.
Aptitude Test	To judge specific talent or ability to acquire a particular skill.
Personality Test	To judge maturity, socialrelations, etc.
Interest Test	To find out likes and dislikes of Candidates towards occupations, hobbies, etc.
Performance Test	To evaluate skills or acquired knowledge and experience.

6. Interview–

It is face to face exchange of views, ideas and opinions between the candidate and interviewer(s). Interview is an oral examination of candidates.

- The interview can be group interview or individual interview.
- There can be a panel interview where several individuals (comprising the panel) interview one candidate at a time.

- There can be a stress interview to understand maturity, composure, patience and other qualities of candidates. In such interviews, candidates are subjected to stress and strain by asking irritating, embarrassing, annoying and mind boggling questions.

7. Reference check -

A candidate may be asked to provide references (other than relations) from those who are willing to supply or confirm about the applicant's past life, character and experience.

- Reference check helps to understand the personal character and family background of the candidate.
- It helps to guard against possible false information supplied by the candidate.
- It also helps to ascertain the reported experience of the candidate by contacting previous employers.

8. Medical Check-

Medical examination of the candidates is undertaken before they join the firm in order to :

- Find out whether the candidate is physically fit to carry out duties and responsibilities effectively.
- Ensure the health and safety of other employees. Fulfill legal requirements.
- Find out whether the candidate is sensitive to certain work place such as in a chemical factory.
- Find out whether the candidate has health problems which may adversely affect his behaviour and performance on the job.

9. Final Interview-

Before making a job offer, the candidate may be subjected to one more oral interview to find out their interest in the job and their expectations. At this stage, salary and other work perks may be negotiated.

10. Job Offer-

This is the most crucial and final step in selection process. A wrong selection of a candidate may make the company to suffer for a good number of years and the loss is incalculable. Company should make a very important decision to offer the right job to the right person.

11. Follow-up-

Once the candidate is selected, he is inducted and placed at the right job. The selectors should try to find out whether they have made the right choice in selecting the right candidate for the right job.

Check your Progress :

1. ----- and ----- are two of the major functions of personnel management.
2. The sources of recruitment can be broadly divided into two groups: - ----- and -----.

Check your knowledge :

1. Recall the companies which you have seen doing campus recruitment.
2. Arrange the steps of Job Analysis in proper order.

Define :

1. Recruitment
2. Selection

Explain :

1. The criteria for promotion.
2. Interest Tests.
3. Difference between Group interview and Panel interview.

Answer the following :

1. How does campus recruitment take place ?
2. What is meant by Application Blank ?
3. Which functions are carried out in Initial Screening ?

4.7 TRAINING AND DEVELOPMENT

4.7.1 - TRAINING :

Training is normally viewed as a short term educational process by which non-managerial personnel acquire the technical knowledge and skills necessary for increased effectiveness in achieving organizational goals.

A) Definition :

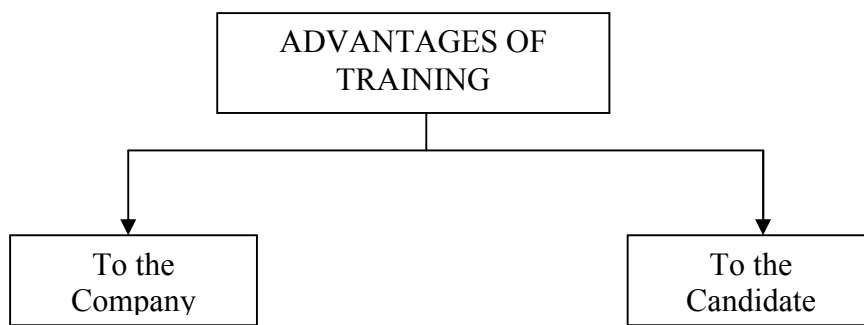
1. In the words of **Wayne Cascio**, "Training consists of planned programs undertaken to improve employee knowledge, skills, attitudes, and social behaviour so that the performance of the organization improves considerably."
2. According to **Bass and Vaughan**, "Training is a process of organizational improvement that attempts to make beneficial changes

through modifying employees' skills and attitudes which refers to activities ranging from the acquisition of similar motor skills to the development and change of complex socio-emotional attitudes."

3. **Lynton and Pareek** say, "Training is a well organized opportunity for participants to acquire the necessary understanding and skills.
4. **Becker** defines training as "Training is defined as a human capital investment that raises the workers' productivity."

B) Importance / Advantages of Training :

Training serves various purposes. Training is, therefore, important not only to the employees but also to the company:



• Higher Productivity	• Confidence
• Reduced absenteeism	• Rewards
• Assists new comers	• Positive Attitude

I. Advantages to the Company :

1. Increased Efficiency and Productivity-

Trained employees perform with greater speed and accuracy. They work with a feeling of commitment and dedication. This is because not only knowledge and skills are developed but also positive attitudes. Training leads to qualitative and quantitative performance on the part of employees.

2. Reduced Supervision-

Trained persons require less supervision because they know their job better and commit fewer mistakes. The supervisor can concentrate on more important activities such as planning and controlling.

3. Reduced Accidents and Wastages-

Trained employees develop positive attitude towards their job and organization. They become more interested in their jobs and as such they handle the machines and materials properly. This helps to reduce accidents and wastages.

4. Reduced Absenteeism and Turnover-

A trained person derives more job satisfaction. Morale of trained staff is high. They do not remain absent without sufficient cause. There are also less chances of labour turnover.

5. Assist New Comers-

Training develops confidence in new employees. Newly appointed candidates feel sense of pride and belongingness towards the company. They understand that the company is sincerely interested in them and as such the firm would be in a position to obtain better services from new employees.

6. Information about Firm's Policies and Programs-

Training can be means to communicate firm's policies and programs to the employees. Effective communication helps to obtain acceptance from the employees and they co-operate to achieve firm's goals.

7. Other Benefits-

- i) It develops better labour relations.
- ii) It develops employees' loyalty towards the firm.
- iii) It facilitates introduction of new techniques.
- iv) It reduces grievances on the part of the employees, etc.

II. Advantages to the candidates :

1. Knowledge and Skills-

Training helps to improve knowledge and skills of the employees. Such improvement in knowledge and skills helps to improve the overall performance.

2. Confidence in Employees-

Training develops confidence of employees so that they can handle even difficult situations with ease. Training helps the new comers to adjust easily with their new job profile.

3. Positive Attitude-

Training develops positive attitude in the employees. Employees work with a positive frame of mind. This results in higher efficiency.

4. Chances for Promotion-

Trained personnel stand a fair chance of being promoted. Instead of selecting people from outside sources, a trained person can be promoted to higher levels prospectively.

5. Refreshing-

Training refreshes the employee. It not only provides information but also it is a short escape from routine work. Refresher training updates knowledge and skills of employees.

6. Higher Rewards-

Trained employees generate higher productivity. The fruits of higher returns are shared between the company and the employees.

C) Types of Training :

1. Induction Training-

It refers to introduction of a person to the job and to the organization. When a new employee joins the company, he is like a stranger in the company. In the beginning, he may feel insecure, nervous and isolated. The first few days are very vital to develop confidence in the candidate and allow him to get adjusted to the new work environment. Therefore, the supervisor or the departmental heads must introduce him to the other members of the department. This may help him to adjust with his work mates. The supervisor should also give a brief about the company. The main purpose of induction is to make the employee more comfortable so that he can easily adjust to the new environment.

Induction is provided in the following respects:

1. Introduction to existing employees.
2. A brief can be given about special achievement of the new employee to the other employees and also of the other employees to the new employee.
3. Making the new employee aware of company background, history, branches, products, market-share, etc.
4. Information about the company's policies that is applicable to the new employee.
5. Providing on-the-job instruction and assisting or advising in any work related matter.
6. Clarifying any doubt and answering any query that the new employee may have about the job and the organization.

Proper induction will enable the employee to start on a sound note and work effectively for the organization.

2. Job Training-

It relates to a specific job and gives information about the machines used, production process, methods used, instruction to be followed, etc. This type of training helps to understand job and to develop skills.

3. Training for Promotion -

Promotion involves vertical transfer of an employee, followed by a change in authority, responsibility, status and pay. Therefore, training is required before actually joining the new position so that the employee can effectively and efficiently handle new tasks and challenges.

4. Refresher Training–

The purpose is to refresh professional skills, knowledge and experience of persons at higher executive positions. Refresher training provides information about new developments, techniques, etc. Such training is necessary practically in all areas but is very useful for updating technical and specialized knowledge.

5. Attitudinal Training–

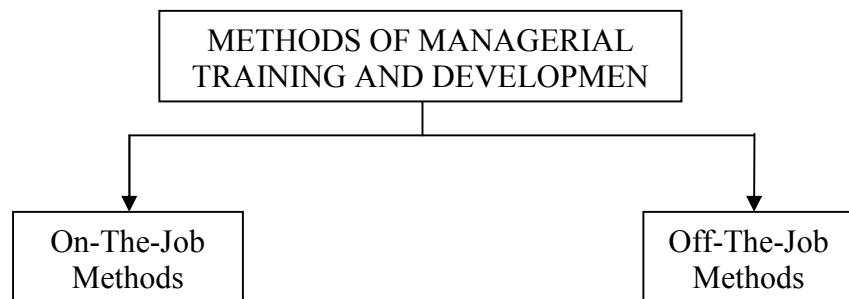
This type of training is provided to develop positive attitude of the employees towards:

- i) Organization
- ii) Job
- iii) Colleagues

Research studies indicate that attitude is the vital factor that can affect motivation to work. It is generally believed that those employees, whose attitude is positive, are also highly motivated and therefore, performance improves considerably.

D) Methods of Training :

Training and development methods for managerial personnel can be divided into two groups as follows:



• Job Rotation	• Classroom Methods
• Planned Progression	• Simulation
• Coaching and Counseling	• Business Games
• Understudies	• Committees
• Junior Boards	• Conferences

a) On-the-Job Methods :

i) Job Rotation-

Job rotation involves the transfer of trainees from one job to another and sometimes from one branch to another. Job assignment under a rotation system may last for a period of 3 months to 2 years. The trainee is given full duties and responsibilities of the rotated position. It is more suitable for lower level executives.

Advantages :

1. Job rotation promotes creative thinking and enables for executive development.
2. It provides a rich experience to the candidate in a variety of matters.
3. It does away with the monotony of routine thinking.
4. It creates a second line of competent executives to meet the problems of transfers, turnover, etc.
5. It identifies the most suitable position for an executive. The position in which the trainee performs better is generally offered to him.

ii) Planned Progression-

It is similar to job rotation, except that every movement from one job to another involves higher pay, position and duties. In job rotation, every movement involves more or less same pay and position. Planned progression is more likely to occur at higher managerial levels, whereas, job rotation occurs mainly at lower level positions.

iii) Coaching and Counseling-

Coaching : In coaching, the superior play an active role in training the subordinate. The superior may assign challenging task to the subordinate for the purpose of training. The superior may assist and advice the subordinate to complete the assigned task. In this case, the superior acts as a coach in training the subordinate.

Counseling : In this case, the superior plays a passive role in training the subordinate. The superior may assign challenging task to the subordinate for the purpose of training. The superior may provide advice to the subordinate in the completion of task, if so required. In this case, the superior acts as a guide rather than a coach in training the subordinate.

iv) Understudy Position-

The trainee is given an understudy position. The trainee handles some important aspects of his superior's job. The trainee, at a future date, is likely to assume the duties and responsibilities of the position currently held by his immediate superior. He acts in a Proxy Supervisor's role.

The understudy technique ensures a company that a fully qualified person will be available to take over a present manager's position whenever he leaves the position through promotion, transfer, retirement or resignation.

The understudy person is generally asked to do the following:

- He may be asked to investigate and make written recommendations about problems and projects related to a unit or department.
- He may also supervise a small group of employees to experience leadership qualities.
- He may be called to attend executive meetings either with or in place of the superiors.
- He may be called to assume superior's position in his absence.

v) **Junior Boards-**

In western countries, junior boards are formed. It permits promising young middle-level managers to experience problems and responsibilities faced by top-level executives in their company. About 10 to 12 executives from diverse functions within the organization serve in the board for a term of say 6 months or more.

In this way, he plays the role of 'Delegate' of his supervisor.

The board is allowed to study any problem faced by the organization in respect of personnel policies, organizational design, interdepartmental conflicts, etc. and to make recommendations to the senior board of directors.

b) Off-the-Job Methods :

i) **Classroom Methods-**

Classroom methods for training managerial personnel include lectures, discussion, role playing and case study.

Advantages :

1. Training can be given to a large group of trainees at a time, especially in the case of lecture method.
2. Both theoretical and practical aspects are emphasized. Training can be done in a short period of time. It is economical.
3. Senior and qualified experts can train the executives. At times, an outside expert is invited to give a lecture or for conducting a debating session.
4. It generates interaction among different executives belonging to various departments and ranks.

ii) Simulation-

A simulated learning situation is an imitation of reality. It is a technique wherein the training is organized in an environment that closely reflects and represents actual work place. It tries to duplicate actual conditions encountered on a job. Simulation is a very expensive training technique, but it is useful or even necessary, where actual on-the-job practice could result in a serious injury, a costly error or the destruction of valuable company materials or resources.

iii) Business or Management Games-

Business games are classroom simulations exercises in which teams of individuals compete against each other to achieve given objectives.

For instance, teams may be asked to make decisions concerning pricing, production volumes, research expenditure, advertising and sales promotion plans, channels of distribution, etc. Team actions and decisions are fed into a computer that has been programmed according to a particular model of the market. Business game participants learn by analyzing problems and by making trial-and-error decisions.

iv) Committees and Conferences-

Committees : A committee can be a method of training. The junior members of the committee can learn from the discussions and interaction with the senior members of the committee. The senior members also can learn from the opinions and views expressed by the junior members.

Conferences : In the case of conferences, group discussion and meetings are held to discuss various issues and to provide solutions to various problems. The chairperson leads the discussion and then the participants attempt to provide solutions. The conference acts as a group interaction and exchange of views and ideas. It reshapes thinking and attitudes of the participants.

v) Reading, Television and Video Instructions-

Planned reading of relevant and current management literature is one of the best methods of management development. It is essentially a self-development program. A manager may be aided by training department, which often provides a list of valuable books. The manager can discuss the relevant articles with the senior manager and get necessary clarifications.

c) On-the-Job Training V/S Off-the-Job Training –

ON-THE-JOB TRAINING	OFF-THE-JOB TRAINING
<p>1. Meaning :</p> <p>It is that type of training which is imparted on the job, within the company.</p>	<p>It is that type of training which is provided off-the-job, normally at training centers.</p>
<p>2. Methods :</p> <p>Understudies, Coaching Job Rotation, etc.</p>	<p>Classroom Training , Business Games Simulation, etc.</p>
<p>3. Training provider :</p> <p>On-the-job training is normally provided by the immediate superior.</p>	<p>Off-the-job training is normally provided by expert trainer.</p>
<p>4. Individual / Group :</p> <p>It is generally provided on individual basis.</p>	<p>It is generally provided to a group.</p>
<p>5. Effect on Regular Production :</p> <p>Regular work is not affected as the training is provided on the job.</p>	<p>Regular work is normally affected as the employees are Off-the-job, during training period as they are required to leave the company to get the training at training center.</p>
<p>6. Practical / Theory :</p> <p>Normally practical training is provided.</p>	<p>Normally theoretical concepts are made clear.</p>
<p>7. Cost Factor :</p> <p>Overall cost of training is less because the training is of a short period and is held within the company premises.</p>	<p>Overall cost is more as it involves payment to experts, booking halls, refreshment, conveyance expenses, etc.</p>
<p>8. Suitability :</p> <p>It is more suitable to train lower level managerial personnel.</p>	<p>It is more suitable to train higher level managerial personnel.</p>

E) Principles of Training :

Training causes learning, therefore to make it more effective, the following essentials or principles of a good training program must be noted.

1. Motivation-

Regardless of the quality of instruction, an indifferent trainee will learn little. Because human behaviour is goal-oriented, a trainee must be motivated in order to learn. Employees can get motivated to learn as learning results to increase in pay, promotion and position.

2. Active Involvement-

Learning is most efficient when the learner is actively involved in the process rather than just listening to a lecture. The trainee's learning is more complex if he actually performs the task to be learned.

3. Progress Report-

Research has demonstrated that people learn faster when they are informed of their progress by means of an examination or through the instructor's comments. Providing the trainee with progress reports by tracking their growth facilitates the learning process.

4. Re- enforcement-

On completion of training, employee should either be promoted or there should be increase in pay or status otherwise he will lose faith in training programs.

5. Instructions in Parts-

Rather than presenting the whole training program at one time, most research indicates, it is better to break instructions down into parts, thus creating a series of sub-goals for the learner.

6. Expert Trainers-

Training must be provided by highly qualified, experienced and matured persons with a balanced personality. Expert trainers command lot of respect and attention from the learners.

7. Individual Differences-

It should be noted that there are individual differences in terms of experience, knowledge, grasping power, etc. Therefore, groups or batches should be made taking into consideration their individual differences or likings.

8. System of Training-

Proper system of training should be ensured with following respects:

1. Training needs and objectives must be clearly defined.
2. There should be a proper balance between theory and practice.
3. Training material should be simple and meaningful.
4. Use of films, audio-visuals, etc. makes training more interesting as well effective.

9. Ideal Place-

There must be an ideal place for training. However, the place of training depends upon a number of factors. If it is on-the-job training then it has to be within the factory premises. Off-the-job training should preferably be provided outside the company premises.

10. Training Period-

It should neither be too long or too short. Too long period brings monotony and affects the actual work. With too short period, the trainee does not get a chance to learn much of the knowledge and skills required.

Check your Progress :

1. The Superior plays an active role in ----- whereas passive role in -
----- in training the subordinate.
2. ----- learning method is an imitation of reality.

Explain :

1. Factors included in Induction Training.
2. Importance of Refresher Training.

Answer the following :

1. What is the difference in methods between Training and Development ?
2. How does training help in reducing accidents and wastages ?
3. How does training lead to promotion of an employee ?

4.7.2 – DEVELOPMENT :

A) Meaning :

Development is viewed as a long term learning process by which managerial personnel acquire conceptual and theoretical knowledge and skills for enhancing general administrative abilities.

Employee development is the process of developing employees with the support of their employer to go through professional training or pursue learning opportunities to improve their skills and grow their knowledge and careers. It is viewed as a long term learning process by which managerial personnel acquire conceptual and theoretical knowledge and skills for enhancing general administrative abilities.

B) Definition :

1. According to **Swanson** and **Hilton**, "Development is defined as the process of systematically developing work-related knowledge and expertise in people for the purpose of improving performance."
2. In the words of **Kremple** and **Pace**, "Development is defined as managing knowledge to develop the organisation's culture to enhance individual performance and to strengthen the organisation's capability".
3. **Katz** and **Kahn** define, "Development is a maintenance subsystem, intended to improve organizational efficiency by increasing routinization and predictability of behaviour."
4. **McLagan** says, "Development focuses on identifying, assuring and helping develop, through planned learning, the key competencies that enable individuals to perform current or future job."

4.7.3 -TRAINING V/S DEVELOPMENT :

TRAINING	DEVELOPMENT
1. Meaning: It refers to learning process of the employees.	It refers to learning process of managers.
2. Managerial/Operative Personnel: Training is normally directed at operative employees and relates to technical aspects.	It is directed at managerial personnel to acquire conceptual and theoretical knowledge.
3. Specific / General : Training is more specific to job related information.	It is more general in nature, especially at top management level.
4. Methods: More emphasis is on the on-the-job methods.	More emphasis is on the off-the-job methods.
5. Cost Involved: Imparting training is less expensive.	Development is more expensive.

<p>6. Frequency: Less frequent. Mostly at induction and at every change in job / process / implementing new technology or method.</p>	<p>More frequent and continuous in nature.</p>
<p>7. Training provider: Training is imparted mostly by the supervisors</p>	<p>Development is undertaken by superiors, outside experts, consultants, motivational / inspirational speakers or by soft-skills trainers.</p>
<p>8. Theoretical / Practical Aspects: Emphasis is placed on practical or technical aspects of work.</p>	<p>Emphasis is placed on conceptual and theoretical aspects.</p>

Check your Progress :

1. The Superior plays an active role in ----- whereas passive role in ----- in training the subordinate.
2. ----- learning method is an imitation of reality.

Explain :

1. Factors included in Induction Training.
2. Importance of Refresher Training.

Answer the following :

1. What is the difference in methods between Training and Development ?
2. How does training help in reducing accidents and wastages ?
3. How does training lead to promotion of an employee ?

4.8 PERFORMANCE APPRAISAL

4.8.1 - INTRODUCTION :

Performance appraisal can be defined as the process of evaluating the performance of employees, sharing the information concerning performance evaluation with employees and searching for ways to improve an employee's performance.

Performance Appraisal is the process of measuring and evaluating the actual behaviour of groups and individuals in the organization with the already established expectations.

Performance appraisal is a technique, which assesses impartially and objectively the strength and weaknesses of the individual employee in relation to his job, so as to take certain relevant decisions about the employee, about the job and providing him or her relevant feedback.

4.8.2 - NEED FOR PERFORMANCE APPRAISAL:

Performance appraisal is necessary for proper management and employee development due to following reasons:

1. It helps to allocate organizational resources in a dynamic manner.
2. It helps to motivate and reward employees.
3. It is used to provide genuine feedback to employees concerning their work.
4. It helps to build trust and maintain fair relationships within groups.
5. It is a technique through which employees can be coached and trained.
6. It helps to see that employees comply with regulations.
7. It provides an opportunity for the employers to express appreciation for employee contribution.

4.8.3 – METHODS OF PERFORMANCE APPRAISAL :

The two broad methods of performance appraisal are as follows:

- i. Judgmental Appraisal.
- ii. Objective Measures of Performance Appraisal.
- iii. We would discuss each of these briefly.

i) Judgmental Appraisal :

It is generally obtained either from an employee's immediate supervisors or his peers. Very often judgment about an employee is collected from a wide variety of sources and combined together.

The three different types of judgmental appraisal are as follows:

1. Appraisal by Superiors-

Such type of appraisal is very common; especially in our country. In such a method one's superior makes a rating about his/her employee on a given set of criteria.

Appraisal by superior can be done on a specially chosen occasion with the aim of either providing feedback to an employee or for taking some important decision like promotion, demotion, increment, bonus, hike, perks, promotion, transfer, etc. or it can be a part of a routine ongoing appraisal system.

Many firms maintain an ongoing appraisal system where periodic evaluation of an employee is noted by a member of a Human Resource Department or personnel officer on a chart in a form of a summary which constitutes what is commonly known as confidential report.

In another method of appraisal by superiors, a meeting of evaluators is called. The evaluators can be many like immediate boss, superiors from other departments, boss of the boss, etc.

These people are asked to give their judgments independently and then discuss it with others in the meeting. A final appraisal report for a particular employee is prepared after taking everybody's judgment into consideration.

Following are the important advantages of this method:

1. Influence of personal biases is removed as report is prepared on the basis of discussion.
2. Group effect also does not take place as all members first give judgment independently then the discussion takes place.
3. No aspect of performance is overlooked.

2. Appraisal by peers or subordinates-

Very often, and in many cases one's peers and one's subordinates are a better source of evaluating a given employee. Appraisal by peers or subordinates can take many forms.

A. Buddy rating : One common type of such a rating is called as "buddy rating". In such an appraisal rating, each member of a group rates other members either in general or on some specific aspects of their work performance. The average of all the individuals' ratings is then calculated to provide an index of an individual's standing on a given trait. This method is of much use in the evaluation of managers. It is also called as 'Peer Rating'.

B. Subordinates rating : In many cases subordinates are told to rate his superiors to get an indication of the leadership or supervisory style and to determine how popular an individual is among his subordinates. Peer rating is generally found to be more useful and less resentful as compared to appraisal by the subordinates.

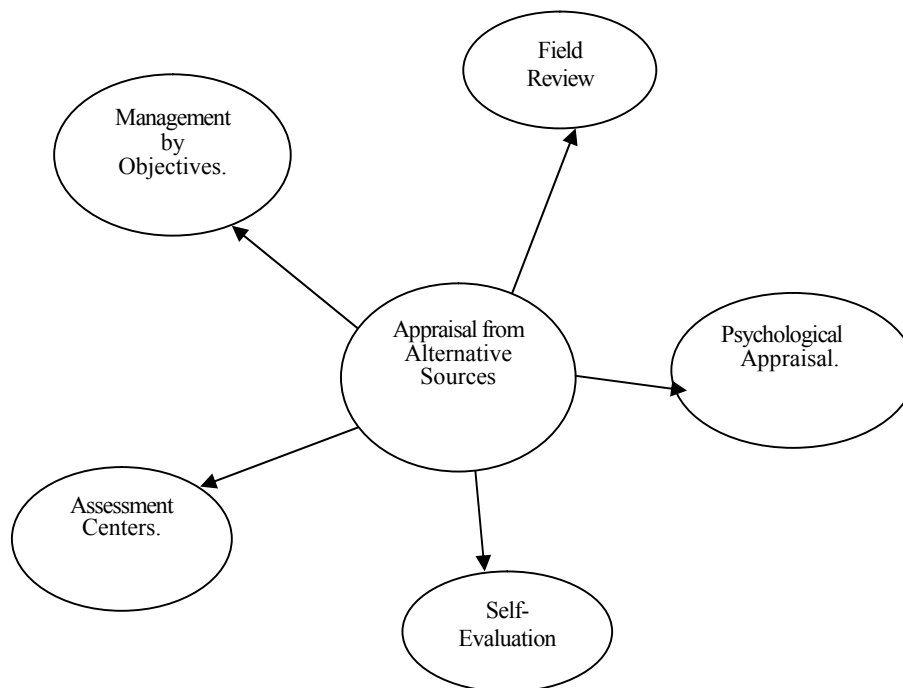
C. Following are the important advantages of this method:

1. The evaluators are familiar with the ratee's job.
2. They have better opportunity to observe the ratee for longer periods.
3. They observe the workers from close quarters and watch over when he/she is off his/her guard.

Following are certain disadvantages of this method:

1. Employees object to peer rating.
2. There is generally a positive bias, which can mislead management.
3. Peer rating has also been found to result in conflict and development of negative feelings among peers.
3. **Appraisal from various alternative sources-**

Some alternative sources of employee appraisal are shown in the following diagram:



a. **Field Review-**

In this method an industrial psychologist collects the relevant data orally from the employees by interviewing their superiors by asking a set of questions. The obtained answers to these questions are then converted to written descriptions and presented to the superiors of the employee being appraised. The superior then adds or modifies the report.

Following are the important advantages of this technique:

1. Since the interview is conducted orally the supervisor feels free to express frank opinion about the subordinate's performance.
2. Since an industrial psychologist spends a lot of time in conducting field review, the supervisor answers the questions after considerable thought.
3. All supervisors are asked the same questions about their subordinates so it becomes easy to compare one individual with another.

b. Psychological Appraisal-

In many companies Psychological Appraisal is a regular feature of periodic appraisal program. This method makes use of interviews and psychological tests. It also makes use of data from personal files of employees. On the basis of these an extensive report is prepared by the psychologist which help company's management to obtain a clear understanding of an individual's behaviour, intelligence and other motivational factors influencing his performance.

Psychological Appraisal helps management team to predict the behaviour of employees. Such appraisals are made while taking decisions regarding promotion or transfer.

A large number of research studies have shown that psychological descriptions are highly accurate and can be used to predict success or failure on a job or a task of employees.

c. Self-Evaluation-

Self-evaluation is a process whereby individual employees rate performance on a given set of criteria. It is a part of an appraisal system followed in companies.

Following are the limitations and biases of Self Evaluation :

1. Employees do not rate themselves on negative points. They often exaggerate their performance.
2. An Individual and management may not agree on the areas of importance in his job. So an individual may emphasize certain area and management may consider those areas as less important.
3. Self-rating can be useful if its findings are not related to administrative uses like pay increase, promotion, transfer, confirmation, etc. But it is useful if related to need for a personal development.

d. Assessment Centers-

Assessment centers make use of situational exercises such as special questionnaire, management games, in-basket performance, leaderless group discussion, case analysis, decision making exercises, etc. These exercises generally tailor made (customized) for a particular company or industry.

Assessment centers involve elements of peer rating; superior appraisal and psychological evaluation because even peers as well as superiors are rated in these assessment centers and their views about an employee are also taken into account.

Assessment centre as a judgmental appraisal technique was developed during World War II. It was developed by the Office of Strategic Services.

Assessment centers are useful only for management level employees. It has limitations on the part of workers. This method of performance appraisal has been criticized for being extremely costly in terms of time and money.

e. Management by Objectives (MBO) :

It is a motivational technique which helps to motivate employees to work as employees set their objectives and are aware about their goals through this process/technique.

MBO is a method of appraisal because the employees get to assess the efforts put by him on his/her own performance through this through this process/technique. MBO makes the employee goal orientated and sets clear objectives in front of him. Hence, he/she is in a better position to evaluate not only his performance but also group performance.

The ratings of superiors are generally not agreed by employees, especially when they are of a critical nature. Employees in many cases may dislike other evaluating them for the simple reason that the criteria used by superiors may either be not known to them or may not be agreeable to them.

MBO basically is an appraisal procedure which attempts to evaluate employee's performance by systematically and periodically guiding him in a time bound programme.

This method basically emphasizes the value instead of past and emphasizes on results than on method of achieving the goals.

Following are the important advantages of MBO technique :

1. It helps in increasing the motivation of the workers.
2. It can make sure that each and every person's efforts contribute to organizational goals.
3. It helps in reducing role ambiguity.
4. It helps in planning also.

Following are certain disadvantages of MBO method :

1. It demands considerable time and energy on the part of the managers.
2. Very often managers emphasize on goals that can be easily measured though they may not be important.
3. Many times there is a tussle between the supervisor and an employee because the supervisor tries to set higher goals, whereas an employee tends to set lower goals for himself.

ii) Objective Measures of Performance Appraisal :

Objective measures are those measures that can be measured directly from the actions or activities of the employees about job behavior. Many activities can be studied by such objective measures which are easily quantifiable. Industrial engineers have played an important role in developing such objective measures.

Some of the objective measures of performance appraisal are as follows :

- (a) Quality and quantity of work as performance standards.
- (b) Cost and profit.
- (c) Productivity measurement.
- (d) Measure of withdrawal.
- (e) Measures of resistance.

(a) Quality and quantity of work as performance standards-

Qualitative as well as quantitative measures of performance standards have been developed to evaluate employees' performance.

A Production unit may use measure of the following:

- Number of units produced,
- The time taken to produce it,
- Number of rejections,
- Quantity of scrap,
- Faults in machines, etc.

A Sales Manager may use the performance criteria like:

- Number of clients satisfied,
- Amounts and volume of sales achieved,
- Ratio of clients served,
- Compliant received, etc.

An Administrative Manager can evaluate the clerk's performance on the basis of criteria like:

- Numbers of errors in filing,
- Amounts of letters typed,
- Volume of data fed in computer,
- Time taken for the same, etc.

Industrial engineers, especially in the area of productivity, have set certain such standards. The aim of a manager or supervisor is to achieve a given level of minimum standard and then to set various levels of standards for superior, good and excellent performance.

(b) Cost and Profit-

Cost and profit accounts have also helped psychologists to develop certain cost and profit measures which are generally used in the process of performance appraisal.

Among the cost measures would be cost incurred in wastage, maintenance, labour, overheads, etc. Profit measures include savings in time, income, etc.

Cost can be standardized on the basis of judgment. The superiors are evaluated on the difference between standard costs decided upon and the direction of these costs.

Another way of using cost and profit approach is using human resource accounting method. This method evaluates the managers. If a manager appoints and develops people with outstanding performance and good potential for the future, he is given positive evaluation. On the other hand if the turnover of talented people is high, the manager of such department is given a negative evaluation and penalized. Similarly, if there is distrust, conflicts, morale is low in a particular department; the manager of such a department is given low ratings.

(c) Productivity Measurement-

Productivity measurement is another important criteria for measuring performance appraisal. These measurements first originated in USA and were then adopted by Japan and European countries. Productivity is measured in terms of broad measures such as sales per employee or sales relative to cost.

Productivity measurement provides feedback to management and employees. However, such feedback does not tell us why productivity is high or low.

(d) Measures of Withdrawal-

These measures are used to evaluate the performance of managers. Two important measures of withdrawal are as follows:

- i. Absenteeism.
 - ii. Separation and turnover.
- i) **Absenteeism** : High absenteeism is detrimental for the efficient working of an organization. Company's resources cannot be fully utilized if more people remain absent. Increase in absenteeism is a sign of dissatisfaction. Absenteeism can also drain an organization's resources because replaced employees will have to be paid overtime or double

salary. Replaced employees, in place of those who are absent, may also not be efficient as the regular employees.

ii) **Separation and turnover** : Separation and turnover are another criteria used to measure withdrawal. People may leave a company or a particular department because the immediate superior in particular or company policy in general is not appropriate.

High turnover can affect business, customer relations and stability in functioning. High turnover in a particular department of an organization reflects poorly on the manager. It would indicate that concerned manager either lack the necessary human relations skill or something is wrong with his strategy that is the cause of high turnover in his/her department.

(e) Measure of Resistance-

Another commonly used criteria of performance appraisal is the measure of resistance. Conflict and grievance are a common phenomenon in Indian industries. Number of complaints of dissatisfaction with one's immediate supervisor or boss would clearly indicate about the style of his functioning.

Grievances can be concerning an approach to be followed at work or it can be concerning certain personal matters unrelated to job. Two important types of resistance are as follows:

i) **Opposition Behaviour** : Doing something undesirable or unconventional to deliberately annoy the superior or management.

ii) **Grievance** : Grievance means complaints. Lodging complaints against the manager will help us to know his efficiency and the amount of dissatisfaction among his employees.

4.8.4 – USES OF PERFORMANCE APPRAISAL :

Performance appraisal is used for wide variety of purposes in an industrial setup.

Some of the most important uses of performance appraisal are as follows:

1. Performance appraisal is used to evaluate the performance of an employee so as to provide him/her with the genuine feedback and job counseling.
2. Performance appraisal also helps to take certain management decisions regarding promotion, transfer, demotions, etc.
3. Performance appraisal makes the supervisors more alert and observant about their employees because they know that they will be expected to fill out rating forms as well as justify their appraisal reports.

4. Performance appraisal helps to classify workers on the basis of their performance into different categories such as “poor” “average”, “good” and “excellent” so that later on these workers can be motivated or punished accordingly.
5. Performance appraisal has also been used in many industries to fix salary, rewards and incentives in proportion to performance.
6. Performance appraisal is also used to provide feedback to the employee so as to tell them as to where they stand, what is expected from them and what are their potentials, their lacings, strength or weakness, etc.
7. Performance appraisal is also used to determine regarding what are the training requirements, who are likely to benefit from training. Performance appraisal can also be used to measure the worth of a training programme by determining how much the job performance may have improved after the training has been completed.

Check your knowledge :

1. How do you relate quality and quantity of work as performance standards ?
2. Recall the instances you have gone through the Performance Appraisal.

Define :

1. Performance Appraisal.
2. Importance of Refresher Training.

4.9 SUMMARY

Staffing is the process of hiring eligible candidates in the organisation for specific positions. It is the managerial function of filling the vacant positions by the right personnel at the right job at the right time through recruitment, selection, training, developing, promotion and compensation of personnel.

Human Resource (HR) plays an important role in developing positive business culture and improving employee engagement and productivity. It provides various services to employees as Strategic Management, Wages and Salaries, Analysis Benefits, Safety and Risk Management, Reduces Legal issues, Training and Development, Employee Empowerment, Recruitment and Selection, Hiring process, Maintaining Compliance.

Estimation of HR requirement is the forecasting technique of predicting the organization's approximate future needs for jobs and people based on the company's strategic plans. Such estimation can be internal to the organisation or external to the industries and economy at large as follows :

Internal factors to the organisation Recruitment needs, Budget, Retrenchment Policies, Productivity of Employees, Organizational changes. External factors as : Employment Opportunities, Technological Changes, Demographic Changes, Multicultural Workforce, Pressure Groups, Unforeseen conditions, Natural or Environmental conditions.

Different techniques are opted by organizations for estimating HR requirements as : Managerial Judgment, Work-Study techniques, Ratio-Trend Analysis, Econometric Models, Delphi techniques, Mathematical Models, etc.

Human Resource Accounting / Human Assets Accounting (HRA / HAA) is the process of identifying and reporting investment made in the human resource of an organisation. It facilitates decision making about the personnel that is to keep or dispense with their services or to provide them the required training. There are many benefits of HRA to the organisation. HRA is intended to provide the users with information to acquire, develop, allocate, conserve, reward and utilize human resources of an organisation efficiently and effectively. Despite the advantages of HRA, it faces few challenges or limitations also.

Job Analysis (JA) is the systematic process of collecting all information about a specific job including skill requirements, roles, responsibilities and processes to create a valid job description. There are 2 components of Job Analysis : Job Description and Job Specification. Job Description provides information relating to the job. Job specification provides information relating to the candidate. Job Analysis facilitates proper selection, proper placement, base for training, job evaluation, promotion, transfer, base for Performance Appraisal, etc.

Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting manpower in adequate numbers to facilitate effective selection of efficient personnel. There are mainly two sources of recruitment as Internal and External. Internal sources are : Promotions, Transfers, Retirees, etc. External sources are : Consultants, Advertisement, Campus Recruitments, Recommendations, etc.

Selection is the process of choosing the most suitable candidate for the right job in the vacant position. Selection process consist of steps as : Job Analysis, Advertising the job, Initial Screening, Application Blank, Tests, Interview, Reference Check, Medical Check, Final Interview, Job offer and Follow-up.

Training is a short-term educational process by which non-managerial personnel acquire the technical knowledge and skills necessary for increased effectiveness in achieving organizational goals.

Development is the process of developing employees with the support of their employer to go through professional training or pursue learning opportunities to improve their skills and grow their knowledge and careers. Development has advantages to the company as well as to the

employees. Types of training are : Induction Training, Job Training, Training for Promotion, Refresher Training, Attitudinal Training.

Different methods of training are : On-the-job training and Off-the-job training. On-the-job training includes : Job Rotation, Planned Progression, Coaching and Counseling, Understudy Position, Junior Boards. Off-the-job training methods include : Classroom methods, Simulation, Business or Management Games, Committees and Conferences, Reading, Television and Video Instructions.

There are various principles of training as : Motivation, Active involvement, Report Progress, Reinforcement, Instructions in parts, Expert trainers, Individual differences, System of Training, Ideal Place, Training Period.

Performance Appraisal is the process of measuring and evaluating the actual behaviour of groups and individuals with the already established expectations. Performance appraisal is necessary for many reasons. There are two methods of Performance Appraisal as : Judgmental Appraisal and Objective measures of Performance Appraisal. Performance Appraisal is used for numerous in an industry.

4.10 EXERCISES

State whether following statements are True or False :

1. Promotion and transfer are dependent on staffing.
2. Advertising the job is followed by interview.
3. Ideal place is not mandatory for training.
4. Performance Appraisal de-motivate employees.
5. Subordinate rating is found to be more useful than Peer rating.

Select the most appropriate option from the given :

1. Which of the following test is not held during selection process ?

(a) Performance Test,	(b) Qualification Test,
(c) Intelligence Test,	(d) Interest Test
2. Which is the type of training ?

(a) Understudy position,	(b) Classroom methods,
(c) Induction,	(d) Simulation
3. A Production unit use the following measure for performance standards :

(a) No. of satisfied clients,	(b) No. of units produced,
(c) No. of errors in filling,	(d) Ratio of clients served

4. Following is the method of Judgmental Performance Appraisal :
- (a) Cost and Profit, (b) Field Review,
(c) Productivity Measurement, (d) Measure of Resistance
5. Following is not the principle of training :
- (a) Individual Differences, (b) Progress Report,
(c) De-Enforcement, (d) Training Period

Write short notes on :

1. Functions absorbed by Staffing function.
2. Relevance of Job Analysis in staffing.
3. The advantages of Internal sources of recruitment.
4. Factors deciding the sources of recruitment.
5. Methods of appraisal by superiors.

Give brief answers :

1. When employees are sent for effective training ?
2. What is the benefits of conducting tests in Job Analysis ?
3. How does Committees and Conferences act as helpful tool in the 'Off-the-job' methods of training ?
4. Why employees dislike MBO ?
5. Which are the benefits of Performance Appraisal ?

Match the columns :

Column 'A'	Column 'B'
i) Job Rotation	a) Group discussion are held
ii) Conferences	b) Junior plays role of his supervisor
iii) Understudy position	c) Last for 3 months to 2 years
iv) Simulation	d) trainee handles important aspects
v) Junior Boards	e) Imitation of reality

