

Unit 1

Nature and Significance of Management

NATURE AND SIGNIFICANCE OF MANAGEMENT

Management is an art of getting things done with and through others. Management can be defined as, the process of getting things done with the aim of achieving organizational goals effectively and efficiently.

Efficiency and Effectiveness

Efficiency (completing the work at low cost) means doing the task correctly at minimum cost through optimum utilization of resources while effectiveness (Completing the work on time) is concerned with end result means completing the task correctly within stipulated time. Although efficiency and effectiveness are different yet they are inter related. It is important for management to maintain a balance between the two.

1. Rohini prepared a well-documented and factual report on Co's performance but she could not present it in Board meeting as she could not complete it on time.

[Hint: Efficient but not effective]

2. Best roadways promised to deliver goods in time and charged extra money from Mr. Singh. But the goods were not delivered on time.

[Hint: Efficient but not effective]

Characteristics of Management

1. Goal oriented Process It is a goal oriented process, which is to achieve already specified and desired objectives by proper utilization of available resources.

2. Pervasive: Management is universal in nature. It is used in all types of organizations whether economic, social or political irrespective of its size, nature and location and at each and every level.

3. Multidimensional: It is multidimensional as it involves management of work, people and operations.

4. Continuous: It consists of a series of function and its functions are being performed by all managers simultaneously. The process of management continues till an organization exists for attaining its objectives.



5. Group Activity: It is a group activity since it involves managing and coordinating activities of different people as a team to attain the desired objectives of the organization.

6. Dynamic function : It is a dynamic function since it has to adapt according to need, time and situation of the changing business environment. For example, McDonalds made major changes in its 'Menu' to survive in the Indian market.

7. Intangible Force: It is intangible force as it can't be seen but its effects can be felt in the form of results like whether the objectives are met and whether people are motivated or not and there is orderliness and coordination in the work environment.

Objectives of Management

(1) Organizational objectives:

Organizational Objectives can be divided into Survival (Earning enough revenues to cover cost); Profit (To cover cost and risk); and Growth (To improve its future prospects).

(A) Survival – Management by taking positive decisions with regard to different business activities ensures survival of business for long term.

(B) Profit – It plays an important role in facing business risks and successful running of business activities.

(C) Growth – Management must ensure growth which can be measured by increase in sales, number of employees, number of products, additional investment, etc.

(2) Social Objectives:

Social objectives is to provide some benefits to society like applying environmental friendly practices in the production process and giving employment to disadvantaged sections of society, etc. Example: TISCO, ITC, and Asian Paints.

(3) Personal Objectives:

Personal Objectives is to focus on diverse personal objectives of people working in the organization which need to be reconciled with organizational objectives.

Importance of Management

(1) Achieving Group Goals: Management creates team work and coordination in the group. Managers give common direction to individual efforts in achieving the overall goals of the organization.

(2) Increases Efficiency: Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity.

(3) Creates Dynamic organization: Management helps the employees overcome their resistance to change and adapt as per changing situation to ensure its survival and growth.

(4) Achieving personal objectives: Management helps the individuals achieve their personal goals while working towards organizational objectives.

(5) Development of Society: Management helps in the development of society by producing good quality products, creating employment opportunities and adopting new technologies.

Management as an Art

Art refers to skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. The features of art as follows:

(1) Existence of theoretical knowledge: In every art, Systematic and organized study material should be available compulsorily to acquire theoretical knowledge.

(2) Personalized application: The use of basic knowledge differs from person to person and thus, art is a very personalized concept.

(3) Based on practice and creativity: Art involves in consistent and creative practice of existing theoretical knowledge.

In management also a huge volume of literature and books are available on different aspects of management. Every manager has his own unique style of managing things and people. He uses his creativity in applying management techniques and his skills improve with regular application. Since all the features of art are present in management. so it can called an art.

Management as a Science

Science is a systematized body of knowledge that is based on general truths which can be tested anywhere, anytime. The features of Science are as follows:

- (1) Systematized body of knowledge: Science has a systematized body of knowledge based on principles and experiments.
- (2) Principles based on experiments and observation: Scientific principles are developed through experiments and observation.
- (3) Universal validity: Scientific principles have universal validity and application.

Management has systematic body of knowledge and its principles are developed over a period of time based on repeated experiments & observations which are universally applicable but they have to be modified according to given situation.

As the principles of management are not as exact as the principles of pure science, so it may be called-an inexact science. The prominence of human factor in the management makes it a Social Science.

Management as Profession

Profession means an occupation for which specialized knowledge and skills are required and entry is restricted. The main features of profession are as follows:

- (1) Well-defined body of Knowledge: All the professions are based on well defined body of knowledge.
- (2) Restricted Entry: The entry in every profession is restricted through examination or through some minimum educational qualification.
- (3) Professional Associations: All professions are affiliated to a professional association which regulates entry and frames code of conduct relating to the profession.
- (4) Ethical Code of Conduct: All professions are bound by a code of conduct which guides the behavior of its members.
- (5) Service Motive: The main aim of a profession is to serve its clients.

Management does not fulfill all the features of a profession and thus it is not a full-fledged profession like doctor, lawyer, etc., but very soon it will be recognized as full-fledged profession.

Levels of Management: Top, Middle and Operational Levels

“Levels of management” means different categories of managers, the lowest to the highest on the basis of their relative responsibilities, authority and status.



Top Level

Consists of Chairperson, Chief Executive Officer, Chief Operating Officer or equivalent and their team.

Chief task is to integrate and to coordinate the various activities of the business, framing policies, formulating organizational goals & strategies.

Middle Level

Consists of Divisional or Departmental heads, Plant Superintendents and Operation Managers etc.

Main tasks are to interpret the policies of the top management to ensure the availability of resources to implement policies, to coordinate all activities, ensure availability of necessary personnel & assign duties and responsibilities to them.

Lower Level/Supervisory Level

Consists of Foremen and supervisor etc. Main task is to ensure actual implementation of the policies as per directions, bring workers' grievances before the management & maintain discipline among the workers.

Functions of Management

1. Planning: Thinking in advance what to do, when to do, and who is going to do it. It bridges the gap between where we are and where we want to reach.
2. Organising: organization means deciding the framework of working how many units and sub-units are needed, how many posts are needed, how to distribute the authority and responsibilities.
3. Staffing: It refers to recruitment, selection, training, development and appointment of the employees.
4. Directing: It refers to guiding, instructing, inspiring and motivating the employees.
5. Controlling are the main functions of management. Controlling is monitoring the organizational performance towards the attainment of the organizational goals.

Coordination (The Essence of Management):

Coordination is the force which synchronizes all the functions of management and activities of different departments. Lack of coordination results in overlapping, duplication, delays and chaos. It is concerned with all the three levels of management as if all the levels of management are looked at together, they become a group and as in the case of every group, they also require coordination among themselves. So, it is not a separate function of management, rather it is the essence of management.



1. Coordination integrates group efforts: It integrates diverse business activities into purposeful group activity ensuring that all people work in one direction to achieve organizational goals.
2. Coordination ensures unity of action: It directs the activities of different departments and employees towards achievement of common goals and brings unity in individual efforts.
3. Coordination is a continuous process: It is not a specific activity matter it is required at all levels, in all departments till the organization continues its operations.
4. Coordination is all pervasive function: It is universal in nature. It synchronizes the activities of all levels and departments as they are interdependent to maintain organizational balance.
5. Coordination is the responsibility of all managers: It is equally important at all the three-top, middle and lower levels of management. Thus it is the responsibility of all managers that they make efforts to establish coordination.
6. Coordination is a deliberate function: Coordination is never established by itself rather it is a conscious effort on the part of every manager. Cooperation is voluntary effort of employees to help one another. Effective coordination cannot be achieved without cooperation of group members.

Unit-2 Planning

Planning

Planning can be defined as “thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done.”

According to Fayol, “Planning is chalking out plan of action, i.e., the result envisaged in the line of action to be followed, the stages to go through the methods to use.”

Importance of Planning

- (i) **Planning Provides Directions** Planning provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do etc.
- (ii) **Planning Reduces the Risk Uncertainty** Planning helps the manager to face the uncertainty because planners try to force the future by making some assumptions. The plans are made to over come uncertainties.
- (iii) **Planning Reduces Over Lapping and Wasteful Activities** Planning evaluates the alternatives uses of the available and prospective resources of the business and makes their must appropriate use.
- (iv) **Planning Promotes Innovative Ideas** Planning requires high thinking and it is an intellectual process. So it makes the managers innovative and creative.
- (v) **Planning Facilitates Decision Making** Planning helps the managers to look in to the future and make a choice from amongst various alternative courses of action.
- (vi) **Planning Establishes Standards for Controlling** It has predetermined goal with which the actual performances are compared to find out deviation and suggest remedial measures.

Features of Planning

- (i) **Planning Focuses on Achieving Objective** Planning is purposeful. It has no meaning unless it contributes to the achievement of predetermined organisational goals.
- (ii) **Planning is a Primary Function of Management** Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function.
- (iii) **Planning is Pervasive** Planning is essential for every sort of business activities. Every department whether, purchase, sales accounts, auditing, marketing etc needs systematic planning.
- (iv) **Planning is Continuous** Planning is a never ending or continuous process because after making plans also one has to be in touch with the changes in changing environment and in the selection of one best way.
- (v) **Planning is Futuristic** Planning always means looking ahead, it is never for the past. All the managers try to make predictions and assumptions for future. ,
- (vi) **Planning Involves Decision Making** Planning choice making of the best possible alternative out of various alternatives.

4. Limitations of Planning

- (i) Planning Leads to Rigidity Once plans are made to decide the future course of action the manager may not be in a position to change them.
- (ii) Planning May Not Work in a Dynamic Environment Business environment is very dynamic as there are continuously changes. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.
- (iii) Planning Reduces Creativity With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only.
- (iv) Planning Involves Huge Costs Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process.
- (v) Planning is a Time Consuming Success Lot of time is needed in developing planning premises.
- (vi) Planning does not Guarantee Success Planning only provides a base for analysing future. It is not a solution for future course of action.

5. Planning Process

- (i) Setting Objectives In planning function manager begin with setting up of objectives because all the policies, procedures and methods are framed for achieving objectives only.
- (ii) Developing Premises Premises refers to making assumptions regarding future. The assumptions are made on the basis of forecasting. Forecast is the technique of gathering information.
- (iii) Identifying Alternative Courses of Action After setting up of objectives the managers make a list of alternatives through which the organisation can achieve its objectives.
- (iv) Evaluating Alternative Courses After making the list of various alternatives along with the assumptions supporting them the manager starts evaluating each and every alternative.
- (v) Selecting an Alternative The best alternative is selected but as such there is no mathematical formula to select the best alternative. Some times instead of selecting one alternative a combination of different alternatives can also be selected.
- (vi) Implementing the Plan This is the step where other managerial functions also come in to the picture. The step is concerned with putting the plan into action i.e., doing what is required.
- (vii) Follow-up Action Planning is a continuous process so the manager's job does not get over simply by putting the plan into action. The manager monitor the plan carefully while it is implemented.

6. Types of Plans

- (i) Objectives Objectives are the ends towards which the activities are directed. They are the end result of every activity, e.g., increase in sale by 10%.
- (ii) Strategy A strategy is a comprehensive plan to achieve the organisational objectives.
- (iii) Policies Policies are general statements that guide thinking or channelise energies towards a particular direction.
- (iv) Procedures Procedures are required steps established in advance to handle future conditions. The procedure can be defined as the exact manner in which an activity has to be

accomplished.

(v) Method Methods provide the prescribed ways or manner in which a task has to be performed considering the objective.

(vi) Rule Rules are specific statements that inform what is to be done. They do not allow for any flexibility or discretion.

(vii) Programme Programme are detailed statements about a project which outlines the objectives, policies, procedures, rules.

(viii) Budget A budget is a statement of expected results expressed in numerical terms.

Unit-3 Organizing

Meaning of Organizing

Management has to identify and establish productive relationships between various activities and resources for implementing plans. In general words organising refers to arranging everything in orderly form and making the most efficient use of resources. The aim of organizing is to enable people to work together for a common purpose.

‘Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.’

Steps Involved in the Process of Organizing

1. Identification & Division Of Work: –

The total work to be done should be divided into specific jobs as according to predetermined plans. –

Job = a set of related tasks that can be performed by an individual. It should have specific and definite tasks to be performed. As far as possible, it should define expected results along with the job.

- Division of work → specialization of efforts and skills + avoids duplication of work.
- Management must ensure that all the activities required to achieve organizational objectives are identified.

2. Departmentalization:

– Grouping similar and related jobs into larger units called departments, divisions or sections and placing them under a department head. It facilitates specialization.

– The departments are linked together and are interdependent.

– Aims at achieving co-ordination and facilitate unity of action. Departmentation can be done on the basis of:

- Functions: marketing, personnel, finance etc.
- Products: Textiles, chemical, power division etc.
- Territories: Western, northern, central, eastern etc.

3. Assignment Of Duties:

– Define the work of different job positions and allocate work accordingly.

– Once departments are formed, the dept is placed under the charge of an individual.

– Jobs are assigned to an individual best suited to perform it.

– Qualifications, experience, ability and aptitudes of people should be matched with duties.

– E.g. activities of finance should be assigned to persons having qualifications and experience in finance e.g. C.A's.

4. Establishing Reporting Relationships:

- Granting requisite authority to enable employees to perform the job satisfactorily.
- Superior subordinate relations between different people and job positions created, so that everybody knows from whom he is to take orders and to whom he can issue orders.
- Creates management hierarchy = a chain of command from the top manager to the individual at the lowest level.
- This helps in coordination.

Importance of Organizing

1. Benefits of specialization: In organizing every individual is assigned apart of total work and not the whole task. This division of work into smaller units and repetitive performance leads to specialization. Thus organizing promotes specialization which in turn leads to efficient & speedy performance of tasks.
2. Clarity in working relationship: It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job. The superior-subordinate relationship is clearly defined in organizing.
3. Effective Administration: It provides a clear description of jobs and related duties which helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work which results ineffective administration.
4. Optimum utilization of resources: The proper assignment of jobs avoids overlapping/duplication of work. This helps in preventing confusion and minimizing the wastage of resources and efforts.
5. Adoption to Change: A properly designed organizational structure is flexible which facilitates adjustment to changes in workload caused by change in external environment related to technology, products, resources and markets.
6. Development of Personnel: Sound organization encourages initiative and relative thinking on part of the employees. When managers delegate their authority, it reduces their workload so they can focus on more important issues related to growth & innovation. This also develops the subordinates' ability and helps him to realize his full potential.
7. Expansion and growth: It helps in growth & diversification of an enterprise by adding more job positions, departments, products lines, new geographical territories etc.

Meaning of Organizational Structure

It seeks to establish relations among all the persons working in the organization. Under the organizational structure, various posts are created to perform different activities for the attainment of the objectives of the enterprise. Relations among persons working on different posts are determined. The structure provides a basis or framework for managers and other employers for performing their functions. The organization structure can be defined as the frame work within which managerial and operating tasks are performed.

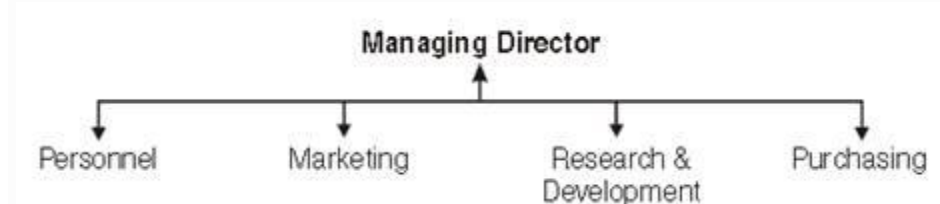
Relation between Span of Management and Organization structure:

Span of management refers to the number of subordinates that can be effectively managed by a superior. The Span of management to a large extent gives shape to the organization structure. This determines the levels of management in the structure. Arrow span of management results

in tall structure whereas wider span of management results in flat structure.



(A) Functional Structure: In functional structure activities are grouped and departments are created on the basis of specific functions to be performed. For example, all the jobs related to production are grouped under production department, sales departments etc.



Suitability

(1) Large organizations producing one line of product.

(2) Organizations which require high degree of functional specialization with diversified activities.

Advantage

1. Specialization: Better decision of labour takes place which results in specialization of functions and its consequent benefits.

2. Coordination is established: All the persons working within a departmental are specialists of their respective jobs. It makes the co-ordination easier at departmental level.

3. Helps in increasing managerial efficiency: Managers of one department are performing same type of function again and again which makes them specialized and improves their efficiency.

4. Minimizes cost: It leads to minimum duplication of effort which results in economies of scale and thus lowers cost.

Disadvantages

1. Ignorance of organizational objectives: Each departmental head works according to his own wishes. They always give more weight to their departmental objectives. Hence overall organizational objectives suffer.

2. Difficulty in Inter-departmental Coordination: All departmental heads work as per their own wishes which leads to coordination within the department easier but it makes inter-departmental coordination difficult.

3. Hurdle in complete development – because each employee specializes only in a small part of the whole job.

(B) DIVISIONAL ORGANIZATION STRUCTURE

Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc.) is known as divisional organization structure.



Suitability: This structure is suitable in organizations producing multi product or different lines of products requiring product specialization. Also growing companies which intend to add more lines of products in future adopt this structure.

Advantages

1. Quick decision-making: Divisional manager can take any decision regarding his division independently which makes decisions quick and effective.
2. Divisional results can be assessed: Division results (profit/loss) can be assessed easily. On this basis any unprofitable division can be closed.
3. Growth and Expansion: It facilitates growth and expansion as new divisions can be added without disturbing existing departments.

Disadvantages

1. Conflicts among different divisions on allocation of resources.
2. Duplicity of Functions: Entire set of functions is required for all divisions. It gives rise to duplicity of efforts among divisions & increases cost.
3. Selfish Attitude: Every division tries to display better performance and sometimes even at the cost of other divisions. This shows their selfish attitude.

FORMAL ORGANISATION

- Refers to the org. structure that is designed by the management to accomplish organizational objectives..
- It specifies clearly the boundaries of authority & responsibility and there is a systematic coordination among the various activities to achieve organizational goals.
- Louis Allen – System of well defined jobs, each bearing a definite measure of authority, responsibility & accountability. .

Features

1. It is deliberately created by the top management.
2. It is based on rules and procedures which are in written form.
3. It is impersonal i.e. does not takes into consideration emotional aspect.
4. It clearly defines the authority and responsibility of every individual.
5. It is created to achieve organizational objectives.

Advantages

1. Easier to fix responsibility since mutual relationships are clearly defined.
2. No overlapping of work – because things move according to a definite plan.
3. Unity of command through an established chain of command.

4. Easy to achieve objectives – because coordination and optimum use of human and material resources.

5. Stability in the organization – because behavior of employees can be fairly predicted since there are specific rules to guide them.

Disadvantages

1. The Work is based on rules which causes unnecessary delays.

2. Lack of initiative: The employees have to do what they are told to do and they have no opportunity of thinking.

3. Limited in scope: It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work.

INFORMAL ORGANISATION

An informal organization is that organization which is not established deliberately but comes into existence because of common interests, tastes and religious and communal relations. The main purpose of this organization, structure is getting psychological satisfaction. For example, employees with similar interest in sports, films, religion etc. may form their own informal groups.

Features

1. It originates from within the formal organization as a result of personal interaction among employees.

2. It has no written rules and procedures.

3. It does not have fixed lines of communication.

4. It is not deliberately created by the management.

5. It is personal means the feelings of individuals are kept in mind.

Advantages

1. Speed: Prescribed lines of communication are not followed which leads to faster spread of information.

2. Fulfillment of social needs – enhances job satisfaction which gives them a sense of belongingness in the organization.

3. Quick solution of the problems – because the subordinates can speak without hesitation before the officers, it helps the officers to understand the problems of their subordinates.

Disadvantages

1. It creates rumours: All the persons in an informal organization talk careless and sometimes a wrong thing is conveyed to the other persons.

2. It resists change and lays stress on adopting the old techniques.

3. Priority to group interests: Pressurizes members to conform to group expectations.

Difference between Formal Informal Organisation

Basis	Formal Organisation	Informal Organisation
1. Meaning	It refers to the structure of well defined authority and responsibility.	It refers to the network of social relationships which develops automatically.

2. Nature	Rigid and stable	Flexible and unstable
3. Authority	Arises by virtues of positions in management.	Arises out of personal qualities.
4. Adherence to rules	Violations of rules may lead to penalties and punishments.	No such penalties and punishments.
5. Flow to Communication	Takes place through the scalar Chain.	Not through a planned route, it can take place in any direction.
6. Purpose	To achieve planned organizational objectives.	To satisfy social and cultural needs and fulfill common interests.
7. Formation/ origin	Deliberately planned and created by management.	Emerges spontaneously as a result of social interaction among employees.
8. Structure	Well defined structure of tasks and relationships.	No clear cut structure because of complex network of relationships.
9. Flow of Authority	Authority flows from top to bottom i.e. downwards.	Authority flows vertically as well as horizontally.
10. Interdependence	Independent.	Depends on formal structure.

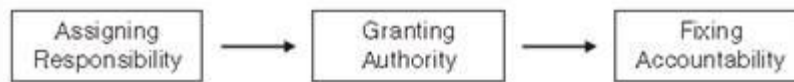
Delegation of Authority

Meaning: It means the granting of authority to subordinates to operate within the prescribed limits. The manager who delegates authority holds his subordinates responsible for proper performance of the assigned tasks. To make sure that his subordinates perform all the works effectively and efficiently in expected manner the manager creates accountability.

Process/Elements of Delegation

1. **Authority:** The power of taking decisions in order to guide the activities of others. Authority is that power which influences the conduct of others.
2. **Responsibility:** It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders, it becomes the responsibility of the subordinate to carry it out.
3. **Accountability:** When a superior assigns some work to a subordinate, he is answerable to his superior for its success or failure.

Principle of Absoluteness of Accountability: Authority can be delegated but responsibility/accountability cannot be delegated by a manager. The authority granted to a subordinate can be taken back and re-delegated to another person. The manager cannot escape from the responsibility for any default or mistake on the part of his subordinates. For example, If the chief executive asks marketing manager to achieve a sales target of sale of 100 units/day. The marketing manager delegates this task to deputy sales manager, who fails to achieve the target. Then marketing manager will be answerable for the work performance of his subordinates. Thus, accountability is always of the person who delegates authority.



Process of Delegation of Authority

Difference between Authority, Responsibility and Accountability

Basis	Authority	Responsibility	Accountability
1. Meaning	Right to command	•bligation to perform an assigned task.	Accountability for the outcome of the assigned task.
2. Origin	Arises from formal position.	Arises from delegated authority.	Arises from responsibility.
3. Flow	Downward- from superior to subordinate.	Upward- from subordinate to superior.	Upward- from subordinate to superior.
4. Withdrawl	Can be withdrawn anytime by giving notice.	Cannot be withdrawn once created.	Cannot be withdrawn once created.

Importance of the Delegation of Authority

1. Reduction of Executives' work load: It reduces the work load of officers. They can thus utilize their time in more important and creative works instead of works of daily routine.
2. Employee development: Employees get more opportunities to utilize their talent which allows them to develop those skills which will enable them to perform complex tasks.
3. Quick and better decision are possible: The subordinate are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.
4. High Morale of subordinates: Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.
5. Better coordination: The elements of delegation – authority, responsibility and accountability help to define the powers, duties and answer ability related to various job positions which results in developing and maintaining effective coordination.

Decentralization

- Decentralisation of authority means dispersal of authority to take decisions throughout the organization, upto the lower levels.

- It implies reservation of some authority with the top level management and transferring rest of the authority to the lower levels of the organization. This empowers lower levels to take decisions regarding problems faced by them without having to go to the upper levels.

According to Allen, 'Decentralisation refers to systematic efforts to delegate to the lowest level, all authority except the one which can be exercised at central points.'

Centralization = authority retained at top level and Decentralization = Systematic delegation of authority at all levels and in all departments of a firm. Firm needs to balance the two.

- In case of a decentralized firm, Top level retains authority for:

- o Policies and decisions w.r.t the whole firm

- o Overall control and coordination

- Middle and lower levels have authority to take decisions w.r.t tasks allocated to them

Centralization and Decentralization: represents the pattern of authority among managers at different levels. Centralization of authority means concentration of power of decision making in a few hands. In such an organization very little authority is delegated to managers at middle and lower levels. No organization can be completely centralized or decentralized. They exist together and there is a need for a balance between the two. As the organization grows in size, there is tendency to move towards decentralization. Thus, every organization is characterized by both.

Importance of Decentralization

1. Develops initiative amongst subordinates: It helps to promote confidence because the subordinates are given freedom to take their own decisions.

2. Quick and better decisions: The burden of managerial decisions does not lie in the hands of few individuals but gets divided among various persons which helps them to take better and quick decisions.

3. Relieves the top executives from excess workload: The daily managerial works are assigned to the subordinates which leaves enough time with the superiors which they can utilize in developing new strategies.

4. Managerial Development: It means giving authority to the subordinates up to the lower level to take decisions regarding their work. In this way the opportunity to take decisions helps in the development of the organization.

5. Better Control: It makes it possible to evaluate performance at each level which results in complete control over all the activities.

Difference between – Delegation and Decentralization

Basis	Delegation	Decentralization
1. Nature	It is a compulsory act.	It is an optional policy.

2. Freedom of action	Less freedom to take decisions due to more control by the superiors.	More freedom of action due to less control by the top management.
3. Status	It is a process of sharing tasks and authority.	It is the result of policy decisions taken by top management.
4. Scope	Narrow- as it is confined to a superior and his immediate and subordinate.	Wide- It includes extension of delegation to all the levels of management.
5. Purpose	To reduce the burden of manager.	To increase the role and the autonomy of lower level of management.

Unit-4 Staffing

Meaning

Staffing means putting people to jobs. It begins with human resource planning and includes different other functions like recruitment, selection, training, development, promotion and performance appraisal of work force.

Need and Importance of Staffing

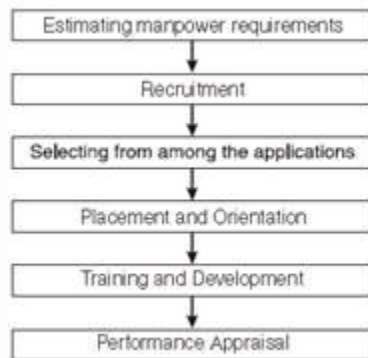
1. Obtaining Competent Personnel: Proper staffing helps in discovering and obtaining competent personnel for various jobs.
2. High Performance: Proper staffing ensures higher performance by putting right person on the right job.
3. Continuous growth: Proper staffing ensures continuous survival and growth of the enterprise.
4. Optimum utilization of human resources: It prevents under-utilization of personnel and high labour cost.
5. Improves job satisfaction: It improves job satisfaction and morale of employee.

Staffing As a Part of Human Resource Management (HRM)

- Staffing
- Function which all managers have to perform as all managers directly deal with people
- Staffing refers to this kind of role played by all managers in small organizations.
- As organizations grow and number of people employed increases, a separate department called the human resource department is formed which consists of specialists who are experts in dealing with people.

- In fact early definitions of staffing focused narrowly on only hiring people for vacant positions. But today staffing is a part of HRM which encompasses not only staffing but also a number of other specialized services such as job evaluation, management of labour relations.
- Human Resource Management
- Involves procuring, developing, maintaining and appraising a competent and satisfied workforce to achieve the goals of the organization efficiently and effectively.
- Its purpose is to enable every human being working in the organization to make his best possible contribution..

PROCESS OF STAFFING



1. Estimating Manpower Requirement: It involves the following:

- (a) Making inventory of current human resources in terms of qualification, training & skills.
- (b) Assessing future human resource needs of all departments.
- (c) Developing a programme to provide the human resources. Job Analysis is an intensive way of finding details related to all jobs.

2. Recruitment: It refers to identification of the sources of manpower availability and making efforts to secure applicants for the various job positions in an organization.

3. Selection: It is the process of choosing and appointing the right candidates for various jobs in an organization through various exams, tests & interviews.

4. Placement and Orientation: When a new employee reports for duty, he is to be placed on the job for which he is best suited. Placement is very important process as it can ensure “Right person for right job”. Orientation/Induction is concerned with the process of introducing a new employee to the organization. The new employees are familiarized with their units, supervisors and fellow employees. They are also to be informed about working hours, procedure for availing leave, medical facilities, history and geography of organization and rules/regulations relating to their wages etc.

5. Training and Development: Systematic training helps in increasing the skills and knowledge of employees in doing their jobs through various methods.

Development involves growth of an employee in all respects. It is the process by which the employees acquire skills and competence to do their present jobs and increase their capabilities for higher jobs in future.

6. Performance Appraisal: It is concerned with rating or evaluating the performance of employees. Transfers and promotions of the staff are based on performance appraisal.

RECRUITMENT

(A) Recruitment: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

Sources of Recruitment

(A) Internal Sources

(B) External Sources

(A) Internal Sources of Recruitment

Internal sources refer to inviting candidates from within the organization. Following are important sources of internal recruitment:

1. Transfers: It involves the shifting of an employee from one job to another, from one department to another or from one shift to another shift.
2. Promotions: It refers to shifting an employee to a higher position carrying higher responsibilities, prestige, facilities and pay.
3. Lay-Off: To recall the temporary worker for work is called Lay-Off, who were temporarily separated from organization due to lack of work.

Advantages of Internal Sources Recruitment:

- (1) Employees are motivated to improve their performance.
- (2) Internal recruitment also simplifies the process of selection & placement.
- (3) No wastage of time on the employee training and development.
- (4) Filling of jobs internally is cheaper.

Limitation of Internal Sources

- (1) The scope for induction of fresh talent is reduced.
- (2) The employee may become lethargic.
- (3) The spirit of competition among the employees may be hampered.
- (4) Frequent transfers of employees may often reduce the productivity of the organization.

External Sources of Recruitment

When the candidates from outside the organization are invited to fill the vacant job position then it is known as external recruitment. The common methods of external sources of recruitments are:

1. Direct Recruitment: Under the direct recruitment, a notice is placed on the notice board of the enterprise specifying the details of the jobs available.
2. Casual callers: Many reputed business organizations keep a data base of unsolicited applicants in their office. This list can be used for Recruitment.
3. Advertisement: Advertisement in media is generally used when a wider choice is required. Example— Newspapers, Internet, Radio, Television etc.
4. Employment Exchange: Employment exchange is regarded as a good source of recruitment for unskilled and skilled operative jobs.
5. Campus recruitment and labour contractors can be used for the purpose.

Merits of External Sources

1. Qualified Personnel: By using external source of recruitment the management can attract qualified and trained people to apply for the vacant jobs in the organization.
2. Wider Choice: The management has a wider choice in selecting the people for employment.
3. Fresh Talent: It provides wider choice and brings new blood in the organization.
4. Competitive Spirit: If a company taps external sources, the staff will have to compete with the outsiders.

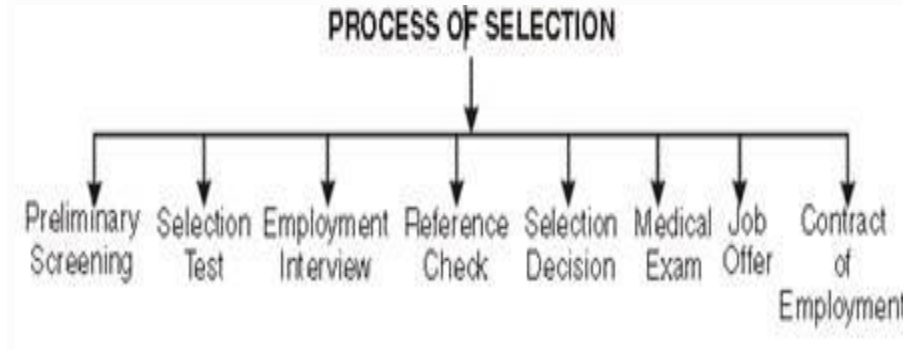
Limitations of External Sources of Recruitment

1. Dissatisfaction among existing employees: Recruitment from outside may cause dissatisfaction among the employees. They may feel that their chances of promotion are reduced.
2. Costly process: A lot of money has to be spent on advertisement therefore this is costly process.
3. Lengthy Process: It takes more time than internal sources of recruitment.

Selection

Selection is the process of choosing from among the candidates from within the organization or from outside, the most suitable person for the current position or for the future position.

PROCESS OF SELECTION



The successive stages in selection process are:

1. Preliminary Screening: After applications have been received, they are properly checked as regarding qualification etc. by screening committee. A list of candidates to be called for employment tests made and unsuitable candidates are rejected altogether.
2. Selection Tests: These tests include:
 - (a) Psychological tests which are based on assumption that human behaviour at work can be predicted by giving various tests like aptitude, personality test etc.
 - (b) Employment test for judging the applicant's suitability for the job.
3. Employment Interviews: The main purpose of interview is:
 - (a) to find out suitability of the candidates.
 - (b) to seek more information about the candidate.
 - (c) to give the candidate an accurate picture of job with details of terms and conditions.
4. Reference Checks: Prior to final selection, the prospective employer makes an investigation of the references supplied by the applicant. He undertakes a thorough search into candidates family background, past employment, education, police records etc.
5. Selection Decisions: A list of candidate who clear the employment tests, interviews and reference checks is prepared and then the selected candidates are listed in order of merit.
6. Medical/Physical Examination: A qualified medical expert appointed by organization should certify whether the candidate is physically fit to the requirements of a specific job. A proper physical exam will ensure higher standard of health & physical fitness of employees thereby reducing absenteeism.

7. Job Offer: After a candidate has cleared all hurdles in the selection procedure, he is formally appointed by issuing him an Appointment Letter. The broad terms and conditions, pay scale are integral part of Appointment Letter.

8. Contract of Employment: After getting the job offer, the candidate has to give his acceptance. After acceptance, both employer and employee will sign a contract of employment which contains terms & conditions, pay scale, leave rules, hours of work, mode of termination of employment etc.

Nishant wants to set a unit in rural area where people have very few job opportunities and labour is available at a low cost.

For this he wants four different heads for Sales, Accounts, Purchase and Production. He gives an advertisement and shortlists some candidates after conducting selection tests.

1. Identify and state the next three steps for choosing best candidates.

2. Also identify two values which Nishant wants to communicate.

Training: Training is the act of increasing the knowledge and technical skills of an employee for doing a particular job efficiently. Both existing employees and new employees get acquainted with their jobs and this increases job related skills.

Benefits to the firm:

1. Avoids wastage of time, effort and money involved in the hit and trial method.
2. ↑ productivity(quality + quantity)thereby leading to ↑ profits
3. Equips future managers(to take over in emergencies)
4. ↑ employee morale, ↓ absenteeism and turnover
5. response to fast changing environment
6. ↓ supervision, standardization of procedure and safety of operations

Benefits to the employee:

1. Improved skills an knowledge so better career opportunities
2. Better performance→ higher earnings
3. Less accidents
4. ↑ satisfaction and morale of employees

Training Methods

(A) On the Job Method: It refers to the methods that are applied at the work place, where the employee is actually working. It means learning while doing.

The following are the methods of On-the job training:

1. Apprenticeship Training: Under this, the trainee is placed under supervision of an experienced person (master worker) who imparts him necessary skills and regulates his performance. The trainee is given stipend while learning so that he/she can enjoy “earn while you learn” scheme.
2. Internship Training: Under this method an educational institute enters into agreement with industrial enterprises for providing practical knowledge to its students by sending them to business organizations for gaining practical experience.
3. Induction training is a type of training given to help a new employee in settling down quickly into the job by becoming familiar with the people, the surroundings, the job and the business.

The duration of such type of training may be from a few hours to a few days. The induction provides a good opportunity to socialize and brief the newcomer with the company's overall strategy, performance standards etc. If carefully done, it saves time and cost (in terms of effectiveness or efficiency etc.)

Training and Development

Training is concerned with imparting technical knowledge in doing a particular job. But development is a wider process concerned with growth of an individual in all respects. However, both are related processes; training helps the employees in learning job skills whereas development shapes attitude of the employees.

Comparison of Training and Development

Basis	Training	Development
1. Definition	It means imparting skills and knowledge doing a particular job	It means growth of an employee in all respects.
2. Purpose	It is concerned with maintaining and improving current job performance.	It seeks to develop competence and skills for future performance.
3. Methods	It is imparted through on the job method.	It is imparted through off the job method.
4. Initiative	The boss takes the initiative for imparting training to his subordinates.	The individual takes the initiative for self growth and development.
5. Duration	Training programmes are organized for short terms.	Development takes place over a large period of time.

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