

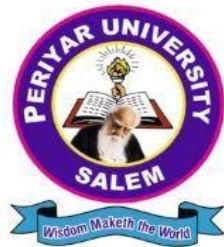
PERIYAR UNIVERSITY

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CENTRE FOR DISTANCE AND ONLINE EDUCATION (CDOE)

BACHELOR OF BUSINESS ADMINISTRATION

SEMESTER - I



CORE PAPER I : PRINCIPLES OF MANAGEMENT

(Candidates admitted from 2024 onwards)

PERIYAR UNIVERSITY

CENTRE FOR DISTANCE AND ONLINE EDUCATION (CDOE)

B.B.A 2024 admission onwards

CORE PAPER - I

Principles of Management

Prepared By:

Centre for Distance and Online Education (CDOE)

Periyar University, Salem – 11.

SYLLABUS

PRINCIPLES OF MANAGEMENT

Unit – I: Meaning-Definitions–Nature and Scope-Levels of Management - Importance - Management Vs. Administration – Management: Science or Art – Evolution of Management Thoughts–F.W. Taylor, Henry Fayol, Peter F. Drucker, Elton Mayo - Functions of Management – Trends and Challenges of Management. Managers – Qualification – Duties Responsibilities

Unit – II: Planning – Meaning – Definitions – Nature – Scope and Functions – Importance and Elements of Planning – Types – Planning - Process - Tools and Techniques of Planning – Management by Objective (MBO). Decision Making: Meaning – Characteristics – Types –Steps in Decision Making–Forecasting.

Unit – III: Meaning - Definitions - Nature and Scope – Characteristics Importance – Types - Formal and Informal Organization–Organization Chart – Organization Structure: Meaning and Types – Departmentalization – Authority and Responsibility Centralization and Decentralization – Span of Management

Unit – IV: Process – Recruitment– Sources of Recruitment – Modern Recruitment Methods - Selection Procedure – Test – Interview – Training: Need – Types – Promotion – Management Games – Performance Appraisal – Meaning and Methods – 360-degree Performance Appraisal –Work from Home –Managing Work from Home [WFH].

Unit – V: Motivation – Meaning – Theories – Communication – Types – Barriers to Communications Measures to Overcome the Barriers. Leadership – Nature – Types and Theories of Leadership – Styles of Leadership – Qualities of a Good Leader – Successful Women Leaders – Challenges faced by women in workforce - Supervision. Co-ordination and Control Co-ordination – Meaning - Techniques of Co-ordination. Control – Characteristics – Importance – Stages in the Control Process – Requisites of Effective Control and Controlling Techniques – Management by Exception [MBE].

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PRINCIPLES OF MANAGEMENT

UNIT I – PRINCIPLES OF MANAGEMENT

Meaning – Definitions – Nature and Scope – Levels of Management – Importance – Management Vs. Administration – Management: Science or Art – Evolution of Management Thoughts – F.W.Taylor, Henry Fayol, Peter F. Drucker, Elton Mayo – Functions of Management – Trends and Challenges of Management. Managers – Qualification – Duties Responsibilities.

Meaning and Importance of Management

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Unit Objectives

- ❖ Understand the Definition and Meaning of Management
- ❖ Explore the Nature and Scope of Management
- ❖ Identify Levels of Management
- ❖ Realize the Importance of Management
- ❖ Compare Management and Administration
- ❖ Analyze Whether Management is a Science or an Art
- ❖ Review the Evolution of Management Thoughts
- ❖ Understand the Functions of Management
- ❖ Examine Trends and Challenges in Management:

SECTION 1.1 INTRODUCTION TO MANAGEMENT:

A business develops in course of time with complexities. With the increasing of complexities, managing the business concern becomes a difficult one. The need of existence of management has increased tremendously. Management is not only essential to business concerns but also essential to banks, schools, colleges, hospitals, hotels, religious bodies, charitable trust etc. Every business unit has

objectives of its own. These objectives can be achieved with the co-operative efforts of several personnel. The works of a number of persons are properly coordinated to achieve the objectives through the process of management.



According to E.Demock, “The management is not a matter of pressing a button, pulling a lever, issuing orders scanning profit and loss statements, promulgating rules and regulations. Rather it is the power to determine what shall happen to the personalities and happiness of entire people, the power to shape the destiny of a nation and of all the nations which make up the world”.

1.1.1 MEANING OF MANAGEMENT:

Management is the art of getting things done by a group of people with the effective utilization of available resources. An individual cannot be treated as a managing body running any organisation. A minimum of two persons is essential to form a management. These persons perform the functions in order to achieve the objectives of an organisation.

1.1.2 DEFINITION OF MANAGEMENT:

Peter F. Drucker defines, “Management is an organ; Organs can be described and defined only through their functions”.

The American management association, “The art of getting things done through other people”.

J.N. Schulze, “Management is the force which leads guides and directs an organisation in the accomplishment of a predetermined object”.

Henry Fayol, “To manage is to forecast and plan, to organize, to compound, to coordinate and to control”.

F.W. Taylor, “Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way”.

Knootz and O’ Donnel, “Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively towards the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups”.

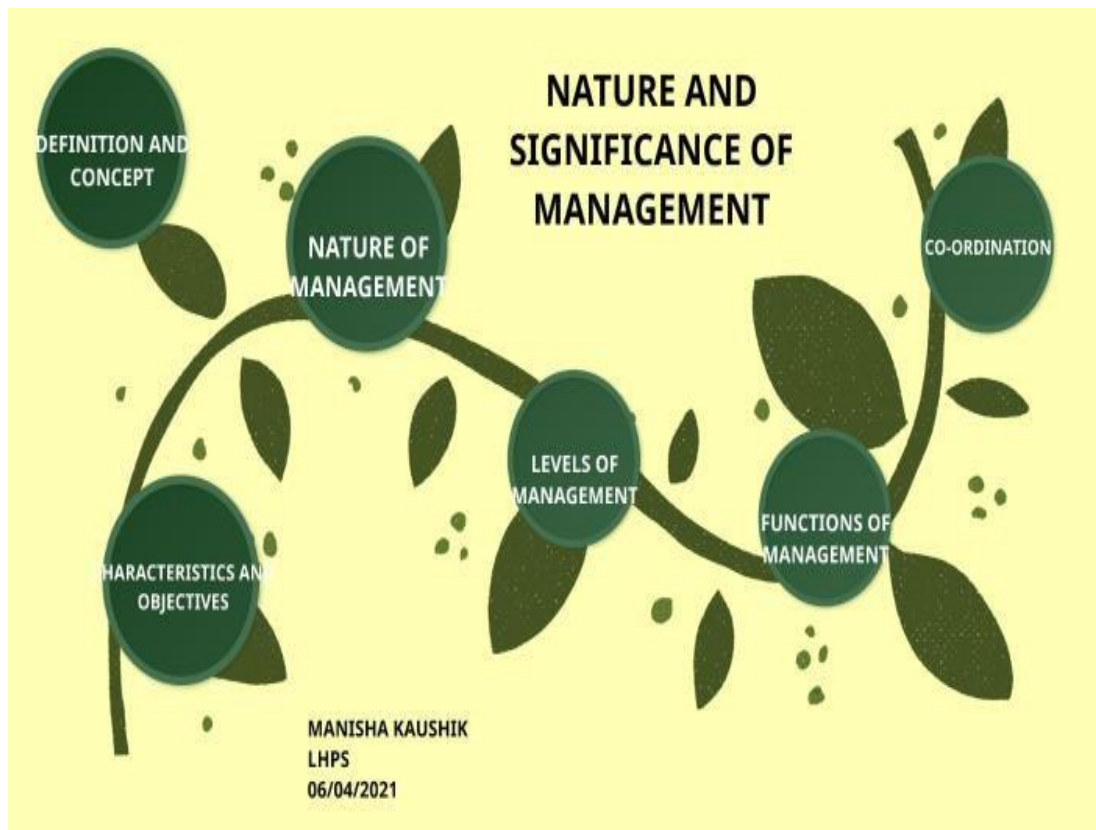
From the above discussion it is clear that management has been defined in different senses emphasizing different aspects. In its broad sense, management can be regarded as,

- I. Formulation of plans, policies and objectives,
- II. Securing men, material, machinery, money and methods for their achievement,
- III. Putting all of them into operation,
- IV. Directing and motivating the men at work,
- V. Supervising and controlling their performance and,
- VI. Providing maximum satisfaction and service to employer, employees and public at large.

1.1.3 NATURE OF MANAGEMENT:

Explain the nature or features or characteristics of management.

The nature of management can be studied as such:



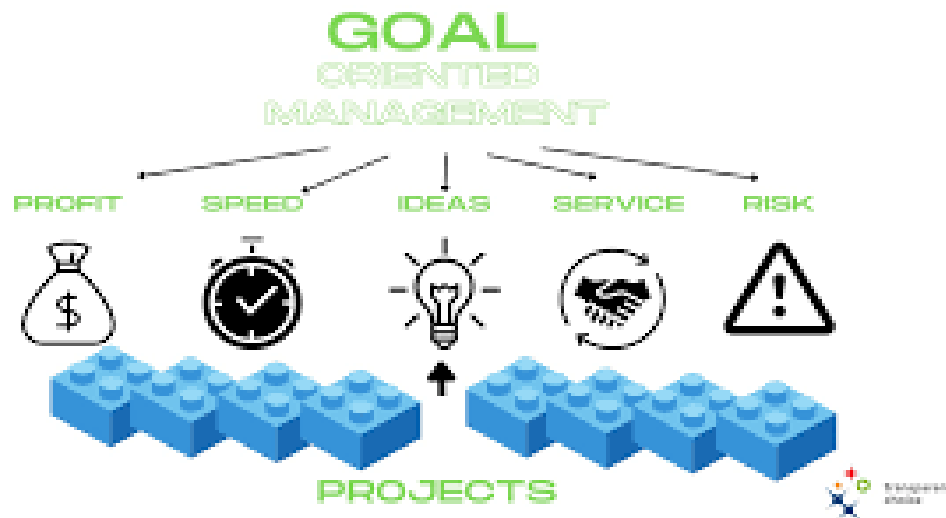
1. Multidisciplinary

Though management has developed as a separate discipline it draws knowledge and concepts from disciplines such as sociology, psychology, economics, statistics, operations research etc. Management integrates ideas and concepts from these disciplines and uses them for improving the efficiency of the organisation. The integration of knowledge of various fields is the major contribution of management. So the disciplines concerned with human beings contribute immensely to the management.

2. Management is a group activity

Management is an essential part of a group activity. As no individual can satisfy all his desires himself, he unites with his fellow-beings and works in an organized group to achieve what he cannot achieve individually. Wherever, there is an organized group of people working towards a common goal, some type of management becomes essential. Management makes the people realize the objectives of the group and directs their efforts towards the achievement of these objectives.

3. Management is goal-oriented



Management aims to achieve economic and social objectives. It exists to achieve some definite goals or objectives. Organizational goals may be in the areas as (a) Profitability; (b) Market standing; (c) Productivity; (d) Innovation; (e) Physical and financial resources; (f) Managerial performance and development; (g) workers' performance and attitude; and (h) social responsibility.

4. Management is a factor of production

Management is not an end in itself but a means to achieve the group objectives. Just as land, labour and capital are factors of production and are essential for the production of goods and services; management is a factor of production that is required to coordinate the other factors of production for the accomplishment of pre-determined goals.

5. Management is universal in character

Wherever there is human activity -- whether individual or joint -- there is management. For example, management of a family requires the head of the necessary resources to achieve those objectives supervise each family member's performance and exercise control to check and correct any deviation from the planned path. The basic characteristics of management activity are the same the whether the organisation to be managed is a family, a club, a trade union, a trust, a municipality, a

business concern, or the government. Variations in approach and style may be there but management activity is basically the same everywhere.

6. Management is a social process

Management has a social obligation to make optimum use of scarce resources for the benefit of the community as a whole. In the words of **Brech**, “Management is social process entailing responsibility for the effective and economical planning and the regulation of the operation of an enterprise, in fulfillment of a given purpose or task”.

7. Management is a system of authority

Authority is the power to get the work done from others and to compel them to work in a certain manner. Management cannot perform in the absence of authority. In real sense, management is a rule making and rule-enforcing body. There is a chain of authority and responsibility among people working at different levels of the organisation. There cannot be an efficient management without well-defined lines of command or superior.

8. Management is a dynamic function

The management is not static. They are flexible and liable to change with any significant change in the environment. For example, there was a time when management theorists believed that workers would work only when they were subjected to the fear of wage-cuts or dismissal. However over the years, researchers have found that treating workers with due consideration could also motivate them to put in greater effort.

9. Management is an abstraction

Management is only a word, an idea. It is non-existent. It is only an abstraction, just as science or government is an abstraction. It is concerned with the efficient use of men, money, material, machines and methods but one can only see the effect of management rather than management itself.

10. Relative principles

The principles of management cannot be blindly applied to all situations. Every person or organisation has certain features, which may not be found in others. This may be due to time, place, socio-cultural factors, and so on. Thus, while applications of a particular principle in one situation may produce the desired result, in a different situation it may throw up an altogether opposite outcome.

11. Management is an art as well as a science

Management is a science because it has developed certain principles which are of universal application. But the results of management depend upon the personal skill of managers and in this sense management is an art. The art of the manager is essential to make the best use of management science. Thus, management is both science and art.

12. Management is a profession



In the present days, management is recognized as a profession. It has a systematic and specialized body of knowledge consisting of principles, a technique and laws and can be taught as a separate discipline or subject. This has also divorced ownership from management. Now with the advent of large-scale business, the management is entrusted in the hands of professional managers.

1.1.4 LEVEL OF MANAGEMENT:

'Levels of management' refers to a line, a demarcation between various managerial positions in an organization. In most organizations there are generally three levels of management in the organization hierarchy, namely,



1. Top management
2. Middle level management
3. First line or supervisory management

The number of levels of management increases when the size of the business and work-force increases.

1. Top level management:

In general sense, top management refers to all those who occupy top functional positions in the organization and are entrusted with the responsibility of planning and executing broad policy decisions. Thus, top management in an organization comprises the board of directors and chief executive, i.e., the general manager, M.D. etc.

Functions of top management:

The top management generally performs the following functions:

- I. To set out organizational plans, objectives, procedures, program and rules.

- II. To lay down guidelines for department needs.
- III. To make appointments to higher and middle positions in the enterprise.
- IV. To look after general administration of the organization
- V. To provide overall leadership, etc.

2. Middle level management:

Middle management acts with and under top management to accomplish the objectives of the organization. It includes sales manager, plant managers, personnel managers, finance managers, marketing managers and many other department heads. They work within the framework of goals and policies decided by the top management. But it is mainly concerned with realising short-term, rather than long-term goals of the organization.

Functions of middle management:

- (i) To convert long range plans of top management to intermediate

1.1.5 IMPORTANCE OF MANAGEMENT:



Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities

to achieve objectives and utilise the available resources at minimum cost.

The significance or importance of management is briefly explained below:

1. Accomplishment of group goals:

The achievement of objectives of a business depends upon three factors.

- (i) The proper planning of available resources,
- (ii) Adjusting possibility of business with existing business environment and
- (iii) The quality of decision taken and control made by the business unit.

2. Management meets the challenge of change:

In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.

3. Effective utilization of business:

There are eight M's in the business. These are said to be men, money, materials, machines, methods, motivation, markets and management. Management is the topmost of all other M's. Management has control over other remaining M's.

4. Effective functioning of business:

Ability, experience, mutual understanding, coordination, motivation and supervision are some of the factors responsible for the effective functioning of business.

5. Resource development:

Efficient management is the lifeboat of any developed business. The resources of the business may be identified and developed by the management. The term 'resources' include men, money, material and machines.

6. Sound organization structure:

Sound organisation structure clearly defines the authority and responsibility

Relationship.

- a. Who is responsible to whom, who will command whom and who is responsible for what?
- b. Care is taken in appointing qualified persons to the right job by the management.

7. Management directs the Organization:

The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organisation.

8. Integrates various interests:

Each person has his own interests. These interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of organisation.

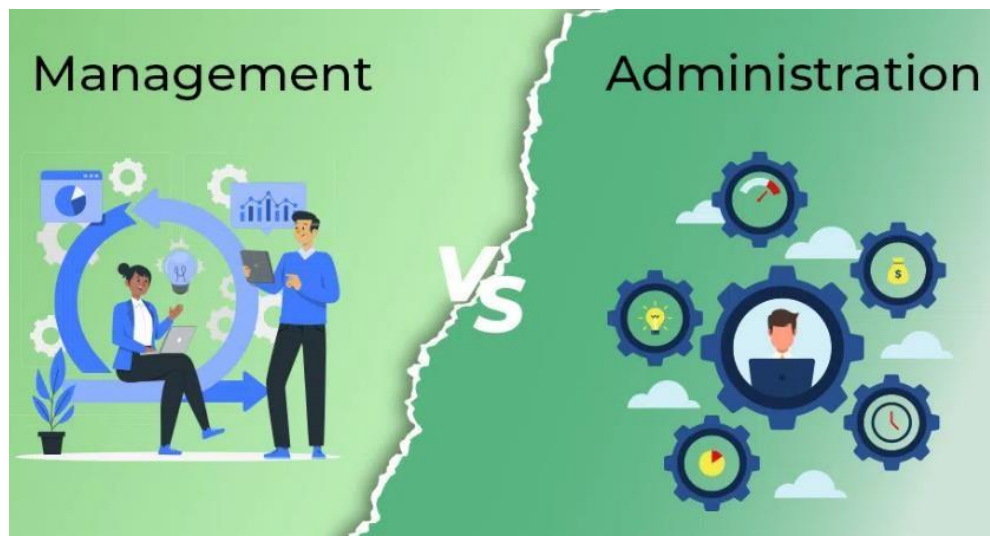
9. Innovation:

New Ideas are developed by the management and implemented in the organisation. Better performance is achieved through new ideas.

10. Coordination and team-sprit:

All the activities of business are grouped department-wise. Management coordinates the activities of different departments and establishes team-sprit to achieve the objectives.

1.1.6 MANAGEMENT VERSUS ADMINISTRATION:



Distinguish between administration and management.

Basis of difference	Administration	Management
1. Nature of work	It is primarily concerned with the determination of objectives and broad policies. It is a thinking function.	It is a doing function. It involves the implementation of plans and policies.
2. Scope	It takes major decisions and is wider term than management.	It takes the decisions within the framework of administration.
3. Level of authority	It is a top management function.	It is a lower level management function.
4. Status	It consists of the owners of an enterprise.	It consists of managerial personnel with specialized knowledge who may be the employees.
5. Main functions	Planning, organising and staffing	Direction, motivation and control

6. Nature of organization	Generally, it is used in relation to government, military, educational and religious organizations.	It is used mainly in business firms which have economic motives.
7. Influence	Its decisions are generally influenced by external factors such as social, political, legal etc.	Its decisions are influenced by internal factors such as values, beliefs and opinions.
8. Position	Acts as a principal	Acts as an agency
9. Knowledge	Requires administrative ability more than technical ability.	Requires technical ability more than administrative ability.

1.1.7 MEANING OF MANAGEMENT

Management is an art of getting things done and a science of decision-making analyse. Or is management an art or a science?

Whether management is a science or an art is an ongoing debate (discussion) among management scholars. Some experts state that management is really an **art**, something that can only be learned by experience. Some experts state that management is a body of knowledge that seeks system systematically to understand why and how people work together to achieve common goals, and it may therefore be described as a **science**. Given the different views on the subject, it is necessary to test the correctness of each point of view and arrive at a conclusion.

1.1.8 MANAGEMENT AS AN ART:

Art is the best way of doing things. Management is also the art of getting the work done through and with people. Management is concerned with the application of the principles keeping in view the real life situations.

Management is essentially an art because of the following reasons-

- A manager has to apply certain know-how and skill while dealing with people.
- Management is directed to accomplish certain practical results.
- Like any other art, management is heavily applications and practitioner oriented and is situational based.
- Management is a personalised skill. Every manager has his own approach and technique to perform a work.
- Management is creative and goal-oriented.
- Managers are not only conductors but are also composers.

1.1.9 MANAGEMENT AS A SCIENCE:

Some other people are of the opinion that management is more a science than an art. Science is a body of systematized knowledge to understand general truths pertaining to a particular field of inquiry.

Management scholars accept management as a science on the following grounds-

- Management has a systematic body of knowledge constituting core of “principles” and “theories”.
- Principles of management are evolved on the basis of systematic inquiry and tests in many organizations.
- Management principles tend to be true in most managerial situations.
- Like a scientist, a manager also makes decisions by using scientific methodology. He uses facts and reasoning in decision-making.
- Modern managers use quantitative techniques in their various functions and study of work and environment.

1.1.10 MANAGEMENT IS BOTH A SCIENCE AND AN ART

Management may be said to be a unique combination of science and art. It requires knowledge of the science of management i.e. the theory or principles of management, which have been developed by thinkers, and practitioners of management after years of experimentation.

The manager should apply his knowledge in the given situation. Needless to say that such application cannot be without taking into consideration the limitations of the situation. It is at this point that the art of management takes over. The manager can successfully perform a job only if he is able to identify and diagnose the problems correctly and apply his knowledge to solve them in a manner, which is the best under the given circumstances.

It is, therefore, concluded that management is a science, because it contains principles and theories, as well as it is an art as it applicable to the practical situations.

why management is regarded as profession?.

Another question that arises in regard to the nature of management is whether management can be regarded as a profession or not. To determine this, we must understand the meaning and special attributes of profession.

Special attributes in a profession:

- The existence of a body of specialized knowledge or techniques.
- Formalized method of acquiring training and experience.
- The establishment of representative organization with professionalism as its goal.
- The formation of ethical codes for the guidance of conduct.
- The charging of fees, based on services, but with due regard for the priority of service over the desire for monetary reward.

Let us now apply the above-mentioned attributes to ascertain the status of management as a profession.

1. Body of specialised knowledge and technique:

When applied to management, it has an organized body of knowledge built up by management practitioners, thinkers and philosophers over the period of years. In this sense, we can safely say that modern management is certainly a profession.

2. Formalised methods of acquiring training and experience:

The management science, today, is fully equipped with formalised methods of acquiring the body of knowledge in theory and practice. To impart management education and training, there are a large number of formal institutes in various countries, including India.

3. Establishment of professional associations:

Professional management associations are being established in most of the countries,

- a. To regulate the behaviour of members;
- b. To create a code of conduct for guiding the activities of the profession; and
- c. To promote and build up the image of management as a profession.

4. Code of conduct:

Unlike members of other recognized professions, such as medicine or law, managers have no enforceable code of conduct, though the Indian management association has prescribed certain obligations, such as non-disclosure of employer's trade secrets, abstaining from making any personal gain of the expense of the employer, working for social good, and so on.

5. Social obligation:

Like a doctor or a lawyer, a manager is also engaged in serving the society, in the sense that he uses scarce resources for production of socially useful goods and services.

Let's Sum Up

Management is the process of planning, organizing, leading, and controlling resources—including people, finances, and materials—to achieve organizational goals efficiently and effectively. It involves setting objectives, developing strategies to achieve these objectives, coordinating activities, and monitoring performance to ensure that goals are met. Effective management requires skills in decision-making, communication, leadership, and problem-solving. The main functions of management are often categorized as planning, organizing, leading, and controlling.

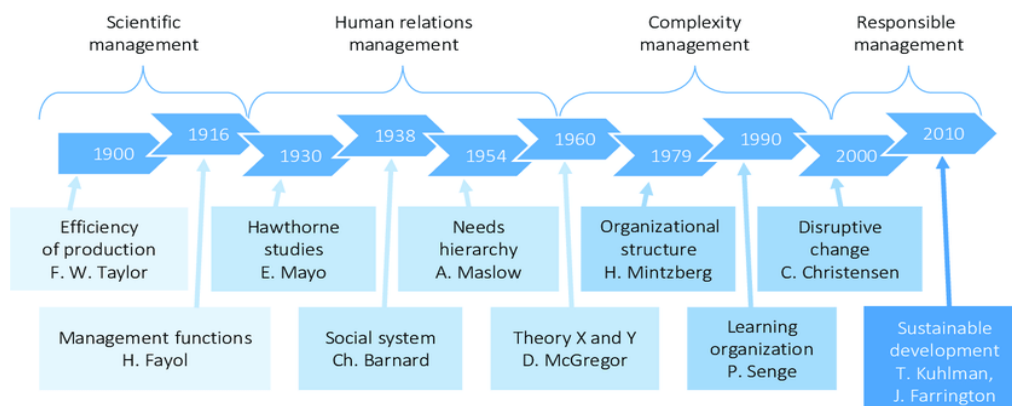
Check your progress – QUIZ – 1

1. What are the four primary functions of management?
 - a. Planning, Organizing, Leading, Controlling
 - b. Planning, Organizing, Leading, Communicating
 - c. Planning, Organizing, Staffing, Directing
 - d. Planning, Budgeting, Leading, Controlling
2. Which function of management involves setting objectives and determining a course of action for achieving those objectives?
 - a. Organizing
 - b. Leading
 - c. Planning
 - d. Controlling
3. What is the role of a manager in the organizing function?
 - a. Establishing goals and objectives
 - b. Motivating and leading employees

- c. Allocating resources and assigning tasks
 - d. Monitoring performance
4. In management, what does the term "controlling" refer to?
- a. Influencing and guiding employees to meet organizational goals
 - b. Structuring the organization and allocating resources
 - c. Setting objectives and determining strategies
 - d. Monitoring performance and making adjustments as needed
5. Who is considered the "father of modern management"?
- a. Peter Drucker
 - b. Frederick Taylor
 - c. Henry Fayol
 - d. Elton Mayo

1.2 EVOLUTION OF MANAGEMENT THOUGHTS:

The evolution of management thought is a fascinating journey that spans centuries and encompasses various perspectives and theories. Here's a concise overview:



1. Classical Management Theory (Late 19th to Early 20th Century):

2. Scientific Management: Frederick Taylor is often regarded as the father of scientific management. He advocated for the scientific study of work methods to improve efficiency and productivity.

- **Administrative Management:** Henri Fayol emphasized the principles of management, such as unity of command, division of work, and scalar chain, focusing on the managerial functions of planning, organizing, commanding, coordinating, and controlling.

3. Human Relations Movement (1930s-1950s):

- This movement emerged as a response to the perceived limitations of classical management approaches. Scholars like Elton Mayo conducted the Hawthorne Studies, which highlighted the importance of social factors in influencing worker productivity and satisfaction.
- The emphasis shifted towards understanding the psychological and social aspects of work, motivating employees, and improving interpersonal relations.

4. Neo-Classical Theory (1950s-1960s):

- This period saw a resurgence of interest in the classical management principles, with a greater emphasis on human behavior within organizations.
- Management thinkers like Douglas McGregor proposed Theory X and Theory Y, contrasting views of employees' intrinsic motivations and attitudes towards work.

5. Systems Theory (1960s-Present):

- Systems theory views organizations as complex systems with interrelated and interdependent parts. It emphasizes the interactions between these parts and their environment.
- Scholars like Ludwig von Bertalanffy and Peter Senge contributed to the development of systems thinking in management.

7. Contingency Theory (1960s-Present):

- Contingency theory asserts that there is no one best way to manage organizations, as the effectiveness of management practices depends on various situational factors.
- Management approaches should be contingent upon the specific circumstances, such as organizational size, technology, environment, and culture.

8. Total Quality Management (TQM) and Continuous Improvement (1980s-Present):

- TQM emphasizes the importance of quality in all aspects of organizational functioning, aiming for customer satisfaction and continuous improvement.
- Practices like Kaizen, Six Sigma, and Lean Management emerged as methodologies for achieving quality excellence and operational efficiency.

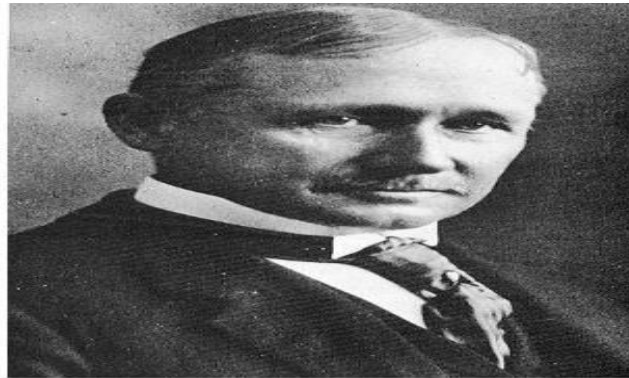
9. Knowledge Management and Learning Organizations (1990s-Present):

- In the knowledge economy, organizations recognize the importance of leveraging and managing knowledge assets for competitive advantage.
- Learning organizations foster a culture of continuous learning, innovation, and knowledge sharing to adapt to change and stay ahead in a dynamic environment.

10. Contemporary Management Approaches (21st Century):

- Recent trends include agile management, digital transformation, sustainable management, and diversity and inclusion initiatives, reflecting the evolving challenges and opportunities in today's globalized and technology-driven world.

1.2.1 CONTRIBUTIONS BY F.W. TAYLOR



Frederick Taylor (1856–1915) is called the Father of Scientific Management.

Management has been growing with the development of social, economic, political and scientific institutions. The invent of industrial revolution brought at the necessity of developing a theory of management. The management thought has passed through various stages to reach present level.

Taylor and Scientific Management (1856-1915)

F.W. Taylor was born in 1856. He joined Midvale steel works, in Philadelphia, U.S.A. in 1878 as a mechanist and was soon promoted as foreman and then as chief engineer. He is well acknowledged as father of 'Scientific management'.

Definition of Scientific Management:

According to F.W. Taylor, scientific management consists of a certain philosophy of scientific selection and training of right workers for the right job, providing adequate working conditions, providing a system of monetary incentives to efficient workers and assumption of responsibilities by managers and supervisors.

Principles of scientific management:

F.W. Taylor has given the principles of scientific management. They are briefly explained below:

1. Science not rule of thumb:

It means the replacement of old method of doing work scientifically. The nature of work performed by each worker should be clearly determined. It includes the allotment of fair work to each worker, standardization in work, adoption of differential piece rate of payment system and the like.

2. Harmony in group action:

F.W. Taylor has emphasized peace and friendship in group action, i.e. dissatisfaction of any worker is to be avoided in the group action. This should be achieved through scientific selection, training and strategic placing of workers.

3. Cooperation:

There should be cooperation between management and workers and vice versa. Workers should help the management to get larger profits, better quality products and lower cost of production. Management should give fair wages to workers, recognize the performance of work and acknowledge the indispensability of workers in raising productivity. Then, better cooperation will be achieved.

4. Maximum output:

Maximum output is achieved through division of work and assumption of responsibility by the management and workers jointly. Maximum output results in the increasing profit to the management and wages and bonus to the workers.

5. Improvement of workers:

Under scientific management, all the workers should be given opportunity to improve to the fullest extent possible. Workers are scientifically selected and provided with the job training, so, the management should find out the physical, educational and psychological requirements of each job and find suitable persons to each job. Systematic training can shape the workers in relations to the job assigned to them.

Explain the elements or Features of Scientific management:

Scientific management has the following features or elements:

1. Work study:

Work study refers to the systematic critical assessment of efficiency required to do the job. It varies from one job to another job.

a. Method study: The entire process of production is taken into account under this study. Efforts are made to reduce the distance passed by materials and improvement in handling, transportation, inspection and storage of raw materials and finished goods. Best tools and machinery are provided to ensure best possible results.

b. Motion study: A study relating to the movement of a machine operator and his machine while performing the job is called motion study. The very purpose of conducting this study is elimination of unnecessary movements of machine operator and machine so that time required to perform the job is reduced to the optimum extent and the job is performed more efficiently.

c. Time study: Time study refers to the act of measuring the time required to perform a particular job. A standard time is fixed by conducting the time study. If the standard time is fixed, all the work is performed in the fixed time and control over it becomes easy.

d. Fatigue study: A study relating to the fixing of the working hours with rest periods to enable the workers to recoup the energy lost while performing the job is called fatigue study.

2. Standardization and simplification:

Under scientific management the third element is to lay down the predetermined standards about the work, materials, equipments, methods, time,

quality and cost and working conditions. Standardisation helps to simplify the work and to facilitate comparisons of efficiency.

3. Scientific task planning:

This is a technique of forecasting and designing in advance every step in a long series of separate operations. Each and every step is to be taken in the right place, of the right degree and at the right time. Each operation is to be performed at optimum efficiency. This method provides answers to questions like what work is to be done? How and where it is to be done? and when?

4. Functional foremanship:

Taylor was of the opinion that one supervisor cannot be an efficient expert in all respects of work supervision. He suggested that the system of functional foremanship is where 8 supervisors supervise a worker's job. 4 from the clerical side are concerned with planning of work in factory office and the other 4 are concerned with the execution of the work at the shop floor.

5. Wages plan:

F.W. Taylor emphasised upon fair wages to workers, and had recommended differential piece rate wage system. The reason is that differential piece rate wage system may act as an incentive to lazy and less efficient workers.

6. Scientific selection, placement and training:

- ◆ Workers should be selected by considering their education, experience and attitude towards work.
- ◆ The placement of workers should be such that only the most suitable persons are assigned the work
- ◆ Workers should be given training to make them suitable for the jobs.

7. Mental revolution:

Taylor was convinced that for effective management, workers and managers had to work in harmony, not as two hostile groups but as partners in mutual progress and prosperity. He emphasised the need for a mental revolution on the part of both workers and the management.

8. Economy:

The techniques of cost estimates and control should be considered in order to obtain economy. The available resources are used to the fullest possible maximum extent to eliminate wastage. Maximum profit is earned through this process.

1.2.2 CONTRIBUTIONS BY HENRY FAYOL

Henry Fayol's general principles of management. Or "To manage is to forecast and plan, to plan, to organise, to command, to coordinate and to control". Analyse this statement. Or critically analyse Fayol's contribution to the theory of management.

Henry Fayol and process of administrative management (1841-1925)

Henry Fayol started his career as a junior engineer in a coalmine company in France and became its general manager in 1880. He is known as "Father of management" or "Founder of management". His contribution may be classified under three categories: classification of business activities, functions of management, and principles of management.



Classification of business activities:

Henry Fayol classified all the business activities into six functions. They are:

1. Technical activities relating to production.
2. Commercial activities relating to purchase of basic raw materials and other resources, selling of products and exchange.
3. Financial activities relating to identification and utilisation of available funds.
4. Security activities relating to the steps taken to protect the property of enterprise and persons.
5. Accounting activities relating to the recording and maintaining of accounts, stock taking and preparation of cost sheets, balance sheets and statistical data.
6. Managerial activities relating to planning, organizing, commanding, coordinating and controlling.

ELEMENTS OF MANAGEMENT:

According to him, the following are the elements of management

Planning:

Planning is the process of setting goals, determining strategies, and outlining actions to achieve organizational objectives. It involves analyzing the current situation, forecasting future trends, and developing plans that align resources and efforts toward desired outcomes. Effective planning provides direction, clarity, and focus for the organization, guiding decision-making and resource allocation.

Organizing:

Organizing involves arranging resources, such as people, materials, and finances, in a structured manner to facilitate the implementation of plans. It includes defining roles, establishing relationships, and establishing communication channels

to coordinate activities and achieve coherence within the organization. Organizing ensures that tasks are delegated, responsibilities are clarified, and workflows are streamlined for optimal efficiency.

Directing:

Directing, also known as leading, is the process of guiding and motivating individuals and teams to accomplish organizational goals. It involves providing vision, inspiration, and support to employees, empowering them to perform at their best. Effective directing entails effective communication, coaching, and conflict resolution, fostering a positive work environment and promoting employee engagement and commitment.

Coordinating:

Coordinating involves harmonizing and synchronizing activities and efforts across different departments, functions, and levels of the organization. It ensures that resources are utilized efficiently, tasks are completed on time, and goals are achieved collaboratively. Coordinating requires effective communication, collaboration, and alignment of objectives, facilitating synergy and integration within the organization.

Controlling:

Controlling is the process of monitoring performance, measuring progress against objectives, and taking corrective action when necessary to ensure that goals are achieved. It involves establishing standards, measuring performance, comparing actual results with desired outcomes, and implementing adjustments as needed. Controlling helps maintain accountability, identify deviations, and improve organizational effectiveness and efficiency over time.

PRINCIPLES OF MANAGEMENT (HENRY FAYOL)

Henry Fayol gave the following fourteen principles of management-

1. Division of work:

The work is divided in such a way that it promotes specialisation and one person does only one thing rather than doing everything himself. Division of work is applied to both technical and managerial kinds of work. It avoids waste of time.

2. Authority and responsibility:

Management is getting things done by others. A superior gives direction to his sub-ordinates to perform the job. Then the supervisor may exercise his authority. Authority is closely connected with responsibility. Responsibility is essential to perform a job correctly. While responsibility without authority will make a person ineffective, authority without responsibility might promote irresponsible behaviour on his part.

3. Discipline:

Discipline is the respect for agreements, which are directed at achieving obedience, application energy and the outward marks of respect. Discipline is obtained through judicial application of penalties.

4. Unity of command:

An employee should receive orders from only one superior. If two superiors with the same powers and authority are allowed to control the same subordinates, then the subordinates would not be able to decide which superior's orders should be carried out first.

5. Unity of direction:

There should be one head and one plan for a group of activities having the same objectives. Unity of direction means that efforts of all members of the organisation should be directed towards the achievement of common goals.

6. Subordination of individual interest to group interest:

Fayol was of the opinion that the interest of one employee or a group of employees should not prevail over the interest of the enterprise as a whole.

Management should make efforts to reconcile individual interests with common interests]

7. Remuneration of personnel:

The remuneration and the mode of payment in any organisation must be fair to afford maximum satisfaction both to organisation and its employees. The payment of wages should be made without any delay.

8. Centralisation:

Centralization refers to concentration of authority at central point within the organisation. This pattern is determined by individual circumstances and should be based on optimum utilisation of all faculties of the personnel.

9. Scalar chain:

According to Henry Fayol, “Scalar chain is the chain of superiors ranging from the ultimate authority to the lowest ranks.” The communication flows from top to bottom.

10. Order:

It means the right man in the right job and right material in the right place. Material order means a proper place for everything and everything in its right place.

11. Equity:

This is the combination of fairness, kindness and justice. This motivates workers to perform their duties and also promotes a friendly atmosphere among superiors and subordinates.

12. Stability of tenure of personnel:

It is the duty of the management to see that there is minimum level of employee turnover. It means proper efforts must be made to achieve relative

stability and continuity of the tenure of personnel. This can be achieved by honourable treatment of personnel and attractive pay scale.

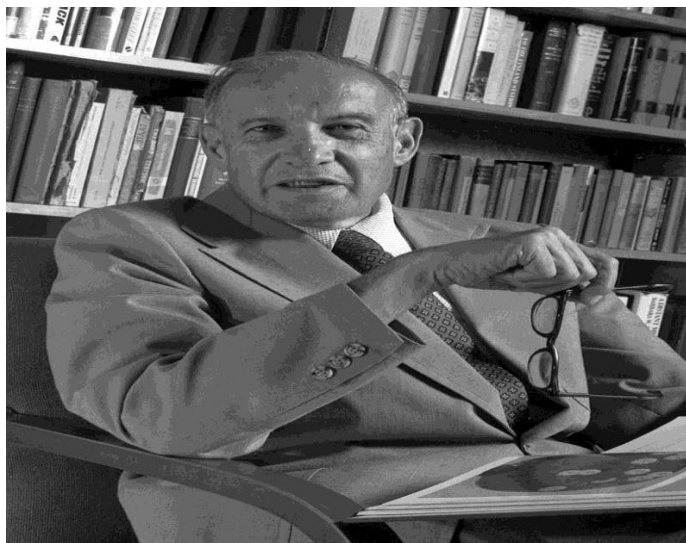
13. Initiative:

This is the freedom to propose a plan and execute it. The management must encourage subordinates to take initiative in thinking out plans and execute them. This can be done by extending opportunities and also freedom to contribute their might.

14. Esprit de corps:

This means loyalty and devotion. It unites members of a group a society. In fact it is a sense of belongingness and respect to one's organisation. It stresses the need for team spirit, cordial relations, cooperation and coordination among the members or personnel.

1.2.3 CONTRIBUTIONS BY PETER F. DRUCKER:



Peter F. Drucker, often referred to as the "father of modern management," made significant contributions to the field of management through his extensive writing, teaching, and consulting. His work emphasized the importance of management as a discipline and provided valuable insights into effective organizational practices. Here's an overview of Drucker's contributions, along with some of his key principles of management:

1. **Management by Objectives:** Drucker introduced the concept of Management by Objectives, emphasizing the importance of setting clear and measurable objectives for individuals and teams. MBO involves cascading organizational goals down to individual employees, aligning efforts, and providing a framework for performance evaluation and feedback.

2. **Decentralization:** Drucker advocated for decentralization as a way to empower employees, promote innovation, and improve decision-making. He believed that delegating authority and responsibility to lower levels of the organization fosters accountability, agility, and responsiveness.

3. **Effective Communication:** Drucker stressed the importance of effective communication in management. He emphasized the need for clarity, transparency, and open dialogue within organizations to facilitate collaboration, alignment, and informed decision-making.

4. **Social Responsibility:** Drucker recognized the role of businesses in society and advocated for corporate social responsibility. He believed that organizations should consider the broader social and environmental impacts of their actions and contribute positively to the communities they serve.

5. **Knowledge Work:** Drucker popularized the concept of knowledge work, highlighting the growing importance of intellectual capital and creativity in the knowledge economy. He emphasized the need for organizations to nurture and leverage the skills, expertise, and innovative potential of their knowledge worker.

1.2.4 CONTRIBUTION BY ELTON MAYO

Discuss the major findings of Hawthorne experiments.

The real beginning of applied research in the area of organizational behaviour started with Hawthorne Experiments. The findings of these studies were given a new name 'human relations' or 'human approach of organization'. In November, 1924, a group of professors from Harvard Business School, U.S.A., began an enquiry into the human aspects of work and working conditions at the Hawthorne plant of Western

Company, Chicago which was engaged in producing bells and other electrical equipments for telephone industry. Prominent among the professors were Elton Mayo (Psychologist), Roethlisberger and Whitehead (Sociologists) and company representative William Dickson. They conducted a series of experiments and observational studies in the plant and conducted employee interviews between 1924 and 1932.

These were:

- i) **Illumination experiments (1924-27):** to find out the effect of illumination in on worker productivity;
- ii) **Relay assembly test room experiments (1927-28):** to find out the effects of changes in working hours and other working conditions on productivity;
- iii) **Mass interviewing programme (1928-30):** to find out the worker attitude and sentiments;
- iv) **Bank wiring observation room experiments (1931-32):** to find out social aspect of work organization.

Conclusions and Implications of Hawthorne Experiments

These experiments and interviews brought out a number of findings relevant to understanding human behaviour at work such are as follows:

1. Level of production is determined by social norms, not by physiological capacities
2. Non-economic rewards and sanctions affect the behaviour of workers and restrict the effect of economic incentives.
3. Workers often act or react as members of a group rather than as individuals
4. Informal leaders play an important role in setting and enforcing group norms.
5. Importance of communications between ranks.

Criticism

The findings of the Hawthorne experiments have been criticized on many counts, some of which are as under:

- i) The experiments were not in the nature of a scientific enquiry because there was no scientific basis for selection of the work, workers and physical environment.
- ii) The experiments focused on the workers of a single company located at a particular place.
- iii) The researchers only concentrated on the internal environments of the company.
- iv) Over-emphasis on worker satisfaction
- v) Undue importance to social norms

A manager is a person who manages a team of employees in an organization. Often, managers get the work done from the employees and make sure the decorum of the organization is maintained. A manager builds a bridge between the employees and the top-level management

According to Henry Fayol, "The manager is responsible for overseeing and leading the work of a group of people in many instances. The manager is also responsible for planning and maintaining work systems, procedures, and policies that enable and encourage the optimum performance of its people and other resources within a business unit.

1.2.5 FUNCTIONS OF MANAGEMENT:

Explain the scope or branches of management.

Management is an all-pervasive function since it is required in all types of organized endeavour. Thus, its scope is very large. The following activities are covered under the scope of management. The functional areas or branches of management can be divided into five main parts, viz.,

1. Production management
2. Marketing management
3. Financial management
4. Personnel management and
5. Office management

Some management experts have also talked of information and administration management, accounting management and research and development management as forming part of the operational area of management. But these are at best subsidiary parts of one or the other of the four main parts of the management.

1. Production management

A business unit is established for the production and distribution of goods or services. Production management refers to planning, organisation, direction, co-ordination and control of the production functions in such a way that the desired goods or services could be produced at the right time, in right quantity and at the right cost.

Production management involves the following activities:

- (a) Developing the product service.
- (b) Establishment of proper organisation structure.
- (c) Selection of personnel.
- (d) Establishment and maintenance of factory building, plant and equipment.
- (e) Management of purchases, storage and transportation of raw materials.
- (f) Ensuring effective production control.

2. Marketing management

Marketing management refers to the planning, organizing, directing and controlling the activities of the persons working in the market division of a business enterprise with the aim of achieving the organization objectives. It can be regarded as a process of identifying and assessing the consumer needs with a view to first converting them into products or services and then involving the same to the final consumer or user so as to satisfy their wants with a stress on profitability that ensures the optimum use of the resources available to the enterprise.

3. Financial management

Finance is viewed as one of the most important factors in every enterprise. Financial management is concerned with the managerial activities pertaining to the procurement and utilization of funds or finance for business purposes. The main functions of financial management include:

- (a) Estimation of capital requirements
- (b) Ensuring a fair return to investors
- (c) Determining the suitable sources of funds.
- (d) Laying down the optimum and suitable capital structure for the enterprise
- (e) Coordinating the operations of various departments
- (f) Preparation, analysis and interpretation of financial statements
- (g) Laying down a proper dividend policy and
- (h) Negotiating for outside financing.

4. Personnel management

Personnel management is primarily concerned with the human resources of an enterprise and includes procurement, development, monetary and non-monetary compensation, integration and maintenance of the personnel for the purpose of contributing towards accomplishment of collective goals. Personnel management is

concerned with managerial and operative functions. The operating functions of personnel management are:

- (a) Procurement of right kind and number of persons
- (b) Training and development of employees
- (c) Determination of adequate and equitable compensation of employees
- (d) Integration of the interests of the personnel with that of the enterprise and
- (e) Providing good working conditions and welfare services to the employees.

5. Office management

The concept of management when applied to office is called 'office management'. Office management is the technique of planning, coordinating and controlling office activities with a view to achieve common business objectives. It works as a service department for other departments. The following detailed functions of office management:

- (a) To keep records regarding capital, assets and liabilities of the business.
- (b) To arrange for efficient system of communication
- (c) To establish cordial relations between all sections of the enterprise.
- (d) To render help to all other areas of management.

1.2.6 TRENDS AND CHALLENGES OF MANAGEMENT:

Management trends and challenges continually evolve with changes in technology, workforce demographics, economic conditions, and global dynamics. Here are some current trends and challenges:

Trends:

1. Remote Work: The COVID-19 pandemic accelerated the shift to remote work, making flexible work arrangements a prominent trend. This trend is likely to continue

as technology enables seamless communication and collaboration across distances.

2. Digital Transformation: Businesses are increasingly embracing digital tools and technologies to streamline processes, enhance customer experiences, and stay competitive in the digital age. This includes AI, automation, cloud computing, and data analytics.

3. Employee Well-being: There's a growing focus on employee well-being, including physical health, mental health, work-life balance, and diversity and inclusion initiatives. Employers are recognizing that a healthy workforce is essential for productivity and retention.

4. Agile and Adaptive Management: Traditional hierarchical structures are giving way to more agile and adaptive management approaches. Organizations are flattening hierarchies, empowering teams, and fostering a culture of innovation and rapid decision-making.

5. Sustainability: Environmental sustainability is becoming a key priority for many organizations as stakeholders, including customers, investors, and regulators, demand more responsible business practices. Companies are integrating sustainability into their strategies and operations.

Challenges:

1. Cybersecurity Risks: With increased digitalization comes heightened cybersecurity risks. Organizations must protect their data, systems, and networks from cyber threats, which are becoming more sophisticated and pervasive.

2. Talent Management: Finding, developing, and retaining top talent remains a significant challenge for many organizations, especially in industries facing skills shortages or intense competition for talent.

3. Change Management: Managing organizational change effectively is crucial in today's fast-paced business environment. Resistance to change, communication breakdowns, and inadequate change management strategies can derail initiatives and impact performance.

4. Globalization: Operating in a globalized economy presents both opportunities and challenges. Organizations must navigate cultural differences, regulatory complexities, geopolitical uncertainties, and supply chain disruptions.

5. Ethical Dilemmas: Ethical considerations are increasingly important in management decision-making, particularly with advances in technology raising questions about privacy, data ethics, algorithmic bias, and the responsible use of AI.

1.2.7 DUTIES AND RESPONSIBILITIES OF MANAGER:

A manager is an important asset to the organization. The primary role of the manager is to co-ordinate the work of all the employees in the organization and to bring about the best results that ensures the growth of the organization. There are various roles and responsibilities that managers hold in order to bring about the best outcomes from the employees.

1. Envision the Goals: The managers need to understand how the goals are being directed in the organization. He/she should envision the mission and goals of the organisation which is detrimental for the growth of the business. The managers need to communicate the goals properly to the employees and map ways that helps to achieve these goals in a strategic fashion.

2. Manage the growth: One of the most common roles and responsibilities of a manager is to sustain the growth of the organization. The manager needs to scan and analyse the internal and external environment that poses threat on the survival of the business.

3. Improve the efficiency of the firm: The manager needs to ensure that the resources are properly utilised and not wasted. This can pave way for overall efficiency of the firm's resources. Managers need to improve and maintain the efficiency of the firm in order to reach success.

4. Being Innovative: The manager needs to be innovative in his work. He need to devise strategies that would help find creative solutions to the problems encountered in the organization. The manager must inculcate innovation in the

employees and encourage them to come up with innovative ways to achieve the goals faster and better.

5. Leadership: The manager must be a good leader and a motivator. He/she needs to inspire and motivate the employees working in the organization. A leader must ensure that the goals of the company are achieved and the employees' interests are protected at the same time. The manager must possess superior leadership skills in order to lead the employees in a better way.

1.2.8 QUALIFICATIONS OF MANAGERS:

Knowledge of Industry:

One of the most critical qualifications for a manager is that of knowledge of the industry. Understanding the best practices in a business and having a good grasp of overall operations is key to effectively managing people and processes. That knowledge may be gained from formal or vocational education, or from work experience.

Good Communication Skills:

Managers must be able to communicate effectively with employees, customers and supervisors. This means having good written and verbal communication skills and an ability to read people, troubleshoot problems and help teams collaborate as necessary. A manager should also be able to effectively articulate needs, convey information and provide status updates to higher-ups in a company.

Time Management Skills:

Solid time management skills are a critical management requirement. This means not only being able to effectively budget their own time, but also that of employees. This relates to prioritization, delegation, juggling multiple competing priorities and ensuring that the most critical tasks are always addressed. Managers must also have the ability to pick up slack for their teams, when necessary.

Problem-Solving Ability:

Managers are regularly charged with solving problems, ranging from the simple to the complex. This requires a clear head, a calm demeanor and an ability to have pinpoint focus when necessary. Managers must have a strong internal fortitude that enables them to help staffers assess and resolve issues, all while maintaining the integrity of the organization.

Depending on the particulars of the management role, managers may be required to also hold a particular degree or certification, or have a degree or specialized training related to their business or industry.

Ability to direct people:

Managers often direct the activities of other staffers, and as such, must possess the ability to bring people together around a common goal. This may mean helping employees set goals, establishing parameters for how work is performed and ensuring that staffers have the resources necessary to do their jobs efficiently. Managers must be able to match individual employee skill sets to necessary job tasks and help them pivot as necessary to accomplish objectives.

Let Us Sum Up:

Management involves several key functions essential for achieving organizational goals. Planning is the first function, where managers set objectives, devise strategies, and create action plans to guide the organization's activities. Organizing follows, where managers arrange resources, define roles, and establish structures to execute plans effectively. Leading is another critical function, where managers inspire, motivate, and guide individuals and teams toward achieving desired outcomes. This involves providing direction, supporting employee development, and fostering a positive work environment. Lastly, controlling ensures that plans are being implemented effectively by monitoring performance, measuring progress, and taking corrective action when necessary.

Check your Progress – Quiz 2

6. What are the essential qualifications typically required for a managerial position?
- a) Technical skills
 - b) Interpersonal skills
 - c) Decision-making skills
 - d) All of the above
7. Which of the following is considered a characteristic of an effective manager?
- a) Authoritarian leadership style
 - b) Micromanagement tendencies
 - c) Ability to motivate and inspire teams
 - d) Resistance to change
8. What role do emotional intelligence skills play in effective management?
- a) They are irrelevant for managers
 - b) They help managers understand and manage their own emotions and those of others
 - c) They hinder decision-making processes
 - d) They lead to conflicts within teams
9. Why is communication skill important for managers?
- a) It is unnecessary for managerial success
 - b) It facilitates effective delegation of tasks
 - c) It creates confusion within the team
 - d) It reduces team productivity
10. Which of the following is a characteristic of strategic thinking in managers?
- a) Short-term focus
 - b) Reactive decision-making
 - c) Long-term vision
 - d) Aversion to risk-taking

1.3 UNIT SUMMARY

Principles of management encompass fundamental concepts and practices that guide the effective coordination of resources and activities within organizations. These principles provide a framework for managers to plan, organize, lead, coordinate, and control organizational efforts to achieve specific goals and objectives. Planning involves setting objectives, developing strategies, and creating action plans to chart the course of the organization. Organizing entails arranging resources, defining roles, and establishing structures to facilitate the implementation of plans. Leading focuses on inspiring, motivating, and guiding individuals and teams toward common goals, fostering a positive work environment and promoting employee engagement. Coordinating involves harmonizing and synchronizing activities across departments and functions to ensure alignment and synergy. Controlling encompasses monitoring performance, measuring progress, and taking corrective action to ensure that goals are achieved efficiently and effectively. By adhering to these principles, managers can navigate challenges, capitalize on opportunities, and drive organizational success in today's dynamic and competitive business environment.

1.4 GLOSSARY

Ethical Leadership:	Leading by example in a manner that is consistent with ethical principles and values.
Vision Statement:	A forward-looking declaration of the organization's purpose and aspirations.
Mission Statement	A brief description of an organization's fundamental purpose and focus.
Sustainability:	Practices that meet current needs without compromising the ability of future generations to meet their needs.

Emotional Intelligence (EQ):	The ability to understand and manage your own emotions, and those of the people around
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1.5 SELF ASSESSMENT

a) ESSAY TYPE QUESTIONS

1. How do you approach decision-making in situations where you are faced with uncertainty or conflicting priorities, ensuring alignment with organizational objectives and ethical considerations?
2. How do you foster collaboration and teamwork among diverse team members to enhance creativity, innovation, and problem-solving within your organization?
3. How do you ensure effective communication and feedback mechanisms are established within your team or organization to promote clarity, transparency, and alignment towards common goals?
4. What techniques do you use to motivate employees and ensure high levels of productivity and job satisfaction? How have these techniques impacted your team's performance?

1.6 CASE STUDY

Toyota's Lean Manufacturing System:

Toyota Motor Corporation is renowned for its implementation of Lean Manufacturing, a management principle focusing on maximizing value by minimizing waste. This approach, also known as the Toyota Production System (TPS), revolutionized the automotive industry and has been widely adopted across various sectors. The TPS emphasizes continuous improvement (Kaizen), respect for people, and standardization of work processes to enhance efficiency and quality.

Starbucks' Employee-Centric Management Approach :

Starbucks Corporation is a leading example of how a strong focus on employee management and corporate culture can drive business success. Founded in 1971, Starbucks grew from a single coffee shop in Seattle to a global coffeehouse chain with thousands of stores worldwide. A significant part of this growth can be attributed to its innovative approach to employee management, often referred to as the "partner" model.

1.7 ACTIVITIES

Discuss the following parts:

1. Research and analyze a successful company of your choice.
2. Identify and discuss how the company applies Henri Fayol's principles of management in its organizational structure and operations.
3. Imagine you are tasked with leading a team project in your school or community. Develop a plan that incorporates the principles of management,

1.7 ANSWERS FOR CHECK YOUR PROGRESS

1. Planning, Organizing, Leading, Controlling
2. Planning
3. Monitoring performance
4. Influencing and guiding employees to meet organizational goals
5. Peter Drucker
6. Technical Skill
7. Authoritarian leadership style
8. They help managers understand and manage their own emotions and those of others
9. It facilitates effective delegation of tasks
10. Long-term vision

1.9 REFERENCES

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2. Frederick Winslow Taylor's "The Principles of Scientific Management": Taylor introduced the concept of scientific management, emphasizing efficiency and

3. Mintzberg's "The Nature of Managerial Work": Henry Mintzberg's research provides a comprehensive look into what managers do on a daily basis, introducing his famous managerial roles. Reference: Mintzberg, H. (1973). The Nature of Managerial Work. New York: Harper & Row.

UNIT II – PLANNING

Planning – Meaning – Definitions – Nature – Scope and Functions - Importance and Elements of Planning – Types – Planning Process- Tools and Techniques of Planning – Management by Objective(MBO).
Decision Making: Meaning – Characteristics – Types –Steps in Decision Making–Forecasting

Planning, nature and Scope of Planning

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Unit Objectives

- Explore various definitions by renowned experts
- Discuss the core elements of management
- Discuss management as a process, activity, discipline, and group effort
- Discuss the process of setting objectives and determining actions

2.1 INTRODUCTION TO PLANNING

Planning is a primary function, and the manager must do planning before he can intelligently perform any of the other managerial functions. Only after having made his plans can he organize, staff, direct and control.

2.1.1 MEANING OF PLANNING

Planning is the determination of a course of action to achieve a desired result. It is an intellectual process of thinking resorted to decide a course of action, which helps achieve the pre-determined objectives of the organisation in future. It can be characterized as the process of 'thinking before doing'.

1.1.2 DEFINITION OF PLANNING

Koontz & O' Donnel, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are to where we want to go".

Louis A. Allen—"Management planning involves the development of forecasts, objectives, policies, programs, procedures, schedules and budgets".

Peter F. Drucker—"Planning is the continuous process of making present

entrepreneurial (risk taking) decisions systematically and with best possible knowledge of their futurity”.

Henry Fayol, “Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the pre-determined goals”.

2.1.3 NATURE OF PLANNING



1. A Thinking Process:

Planning is an intellectual exercise. It is concerned with thinking in a creative way as to how the existing combination of resources may be adjusted and adapted to match the emerging opportunities. It enables decision-making as regards the problems to be tackled and opportunities to be exploited based on the urgency, importance and solvability of each.

2. Forecasting Vs. Planning:

Forecasting and planning have little in common. Forecasting describes what one expects to happen if no changes are made to escape that happening. Planning describes what one wants to happen. Planning provides for a regular review of performance towards the targeted goals and necessary corrective measures in case of deviations.

3. Accomplishment of group objectives:

A work organisation is an assorted group of widely varied human beings, each with a different personality, attitudes, learning, motivation, etc. Planning enables people with divergent perceptions and motivations to work together to achieve common goals.

4. Choice between alternatives:

Modern business environment is marked by rapid and sweeping changes. The mix of resources, which was worked out to meet business opportunities in the past, may no longer be effective in the present. Similarly, the present mix of resources may not produce the desired results tomorrow. Planning seeks to adjust and adopt the existing mix of resources to meet the emerging opportunities.

5. Pervasiveness of planning:

Planning is a function of every manager, although the character and breadth of planning will vary with his authority and the nature of policies and plans imposed by his superior. The degree, importance and magnitude of planning depends on the levels at which it is performed.

6. Flexibility:

Planning process should be adaptable to the changing business environment. If planning is made rigid then it will not be able to achieve business goals. Planning is a dynamic process and it adjusts with the needs and requirements of the situations.

7. Integrated process:

In the selection of objectives and the course of action to be followed to accomplish them, there may be differences of opinion among the personnel of the enterprise, particularly those directly involved in the planning function. Effective planning takes care of the conflicting views and settles for a course of action that is in the maximum interest of the organisation, besides being satisfying to the personnel involved.

1.1.4 SCOPE AND FUNCTIONS OF PLANNING



1. Reduces uncertainty:

Future is an uncertainty. Planning may convert the uncertainty into certainty. This is possible to some extent by, planning which is necessary to reduce uncertainty.

2. Brings cooperation and coordination.

Planning can bring cooperation and coordination among various sections of the organization, the rivalries and conflicts among departments could be avoided through planning. Besides, planning avoids duplication of work.

3. Economy in operation:

As already pointed out, planning selects best alternatives among various available alternatives. This will lead to the best utilization of resources. The objectives of the organisation are achieved easily.

4. Anticipates unpredictable contingencies:

Some events could not be predicted. These events may affect the smooth functioning of an enterprise. The planning provides a provision to meet such contingencies and tackle them successfully.

5. Achieving the pre-determined goals:

Planning activities are aimed at achieving the objectives of the enterprise. The timely achievements of objectives are possible only through effective planning.

6. Reduce competition:

The existence of competition enables the enterprise to get a chance for growth. At the same time, stiff competition should be avoided. It is possible, to reduce competition through planning.

2.1.5 IMPORTANCE OF PLANNING



1. Minimizes risks and uncertainty:

Future is full of risks and uncertainties. These uncertainties may be predicted through forecasting. Then, the planning provides necessary provision to face the risks and uncertainties. Besides, planning evaluates the alternative course of action for the continuous growth and prosperity of the organisation.

2. Selection of optimum goals:

Planning involves rational thinking and decision-making concerning a proposed course of action. It also implies selection of one course of action and rejection of other possible courses of action. The selected course of action is naturally the one that

promotes the overall Organizational goals within the framework of the resource availability and economic, social and political factors.

3. Tackling increasing complexities:

At present, there is need for many people with different qualifications to run a business. This makes it necessary for the management to plan the business activities clearly as to who is to do, what is to be done, where is to be done, when it is to be and how it is to be done.

4. Meeting environmental changes:

The growing complexities of modern business, rapid technological changes, opening of economies to international competition, changes in consumer tastes necessitate planning not only in the current context but also in the future environment. Planning has a future outlook and in takes into accounts all possible future developments.

5. Safeguard against business failures:

Business failures may be due to wrong and unscientific planning. A bad planning may result into wastage of human and physical resources. Good planning will help in utilizing available resources in a best possible way thus reducing the chances of failures.

6. Unity of action:

Planning enables the people within an organisation to work effectively and harmoniously for the accomplishment of common goals. It provides them a stake n their own future and thus induces them to do their utmost to meet the challenge.

7. Effective coordination and control:

Planning makes it easy to exercise effective control and coordination. The coordination is obtained by the management through planning, well-published policies, programme and procedures. So, planning also helps the management get coordination.

Control is necessary only when there is a deviation in the actual performance from the planned performance. Planning without control are useless and control without planning is impossible.

8. Effective utilisation of resources:

Planning involves deciding in advance of the business activities. Then, the business activities are completed without any delay. It leads to effective utilisation of resources at the cheapest and in the best manner.

9. Economy in operation:

Planning selects any one of the available alternatives, which will help produce the best results at minimum costs.

2.1.6 TYPES OF PLANNING

The process of planning may be classified into different categories on the following basis.

1. On the basis of nature

a. Formal planning

Planning is formal when it is reduced to writing. When the numbers of actions are large it is good to have a formal plan since it will help adequate control. The term formal means official and recognized.

Advantages

1. Proper cooperation among employees
2. Unity of action
3. Economy

4. Proper coordination and control
5. Choosing the right objectives
6. Future plan

b. Informal planning

An informal plan is one, which is not in writing, but it is conceived in the mind of the manager. Informal planning will be effective when the number of actions is less and actions have to be taken in short period.

2. On the basis of Duration or time frame

a. Short-term planning

Such plans usually extend to about one year. These are specific plans with respect to plant location, work methods, inventory plans and controls, employee training and the like.

b. Medium or intermediate planning

These usually encompass a one-to-five-year period. These plans are more detailed than long term plans. Such plans include budgets for selling, material purchase, labour and administrative expenses.

c. Long term planning

These plans are for a period of more than five years. These are usually referred to as strategic plans. Long term planning deals with broad technological and competitive aspects of the organisation and allocation of resources.

3. On the basis of levels of management

a. Strategic planning

These are formulated by the top management to decide on the overall objectives

of the enterprise and on the resources to attain these objectives. It is a long-term planning associated with the institutional level. Strategic plans define how an organisation will integrate itself into its environment.

b. Intermediate or administrative planning

These plans are prepared by middle managers to allocate Organizational resources and to coordinate their organisation's internal sub-divisions. There are tactical plans charted to support implementation of the strategic plan such plans are more specific and concrete.

c. Operational planning

These plans are developed by low-level managers for first-line supervisors to cover the day-to-day operations and month-to-month activities. These plans focus on short-term actions and adhere to planned schedules and budgets. They are feasible action plans to implement divisional plans.

4. On the basis of usage.

a. Standing or repeated use plans or multi use plan

Standing plan is one, which is designed to be used over and over again. Objectives, policies, procedures, methods, rules and strategies are included in standing plans. Its nature is mechanical. It helps executives to reduce their workload. Standing plan is also called routine plan. Standing or routine plan is generally long range.

b. Single use plans

Single use plan is one, which sets a course of action for a particular set of circumstances and is used up once the particular goal is achieved. They may include programme, budgets, projects and schedules. It is also called specific planning. Single use plan is short range.

2.1.7 PLANNING PROCESS

Planning Process



In management, the planning process typically involves several key steps:

- 1. Identifying Goals/Objectives:** This is the first step in the planning process. Managers need to define what they want to achieve, whether it's increasing sales, improving efficiency, expanding into new markets, or any other strategic objective.
- 2. Analyzing the Current Situation:** Once goals are established, managers need to assess the current situation. This involves analyzing strengths, weaknesses, opportunities, and threats (SWOT analysis), as well as considering internal and external factors that may impact the organization's ability to achieve its goals.
- 3. Developing Alternative Strategies:** Based on the analysis of the current situation, managers can then develop alternative strategies to achieve the goals. These strategies may involve different approaches, such as market penetration, product development, diversification, or cost leadership.
- 4. Evaluating Alternatives:** After developing alternative strategies, managers must evaluate them to determine which ones are most likely to succeed. This evaluation process may involve assessing the potential risks, costs, and benefits associated with each strategy.

5. Selecting the Best Strategy: Once the alternatives have been evaluated, managers can then select the best strategy to pursue. This decision should align with the organization's goals and objectives, as well as its resources and capabilities.

6. Formulating Supporting Plans: Once the overall strategy is selected, managers need to develop supporting plans to guide implementation. These plans may include marketing plans, financial plans, operational plans, and human resource plans, among others.

7. Implementing the Plan: With the supporting plans in place, managers can then begin implementing the chosen strategy. This involves allocating resources, assigning tasks, and monitoring progress to ensure that the plan is being executed effectively.

8. Monitoring and Controlling: Throughout the implementation process, managers need to monitor progress and make adjustments as necessary. This may involve tracking key performance indicators (KPIs), conducting regular performance reviews, and addressing any issues or obstacles that arise.

9. Reviewing and Updating: Finally, managers should periodically review the planning process to assess its effectiveness and make any necessary updates or revisions. This allows the organization to adapt to changing circumstances and stay on track toward its goals.

2.1.8 MANAGEMENT OF BUSINESS OBJECTIVES

Managing objectives in planning involves setting, communicating, monitoring, and adjusting goals to ensure they are effectively achieved. Here's how it typically works:

1. Setting Objectives: Objectives should be specific, measurable, achievable, relevant, and time-bound (SMART). This means they should be clear, quantifiable, realistic, aligned with the organization's mission and values, and have a defined timeframe for completion.

2. Communicating Objectives: Once objectives are set, it's essential to

communicate them clearly to all relevant stakeholders. This ensures that everyone understands what needs to be accomplished and why it's important. Clear communication helps align efforts and promotes accountability.

3. Allocating Resources: Objectives often require resources such as finances, manpower, technology, and time. Managers need to allocate these resources effectively to support the achievement of objectives. Resource allocation should be based on priorities and strategic importance.

4. Assigning Responsibilities: Each objective should have assigned responsibilities to ensure accountability. Managers need to delegate tasks and empower individuals or teams to take ownership of specific objectives. Clear roles and responsibilities help streamline efforts and avoid duplication of work.

5. Monitoring Progress: Regular monitoring is crucial to track progress toward objectives. This involves collecting data, measuring performance against predetermined benchmarks, and analyzing variances. Monitoring allows managers to identify potential issues early and take corrective actions as needed.

6. Feedback and Performance Reviews: Providing feedback is essential for employees to understand how well they are progressing toward objectives. Performance reviews, one-on-one meetings, or regular check-ins can be used to provide feedback, recognize achievements, and address any concerns or challenges.

7. Adjusting Objectives: Sometimes, objectives may need to be adjusted due to changes in internal or external factors. Managers should be flexible and willing to adapt objectives as needed to remain aligned with the organization's goals and changing circumstances.

8. Celebrating Success: Celebrating achievements is important for morale and motivation. When objectives are successfully achieved, it's essential to recognize and reward the individuals or teams involved. This fosters a culture of success and encourages continued efforts toward achieving future objectives.

Let's Sum Up

Planning is a fundamental process in management that involves setting goals, identifying actions to achieve those goals, allocating resources, and establishing strategies for success. It begins with defining objectives, analyzing the current situation, and developing alternative courses of action. Through careful evaluation, managers select the most effective strategy and formulate supporting plans. Implementation involves allocating resources, assigning responsibilities, and monitoring progress. Regular review and adjustment ensure alignment with changing circumstances and the organization's overall mission. Effective planning facilitates decision-making, resource allocation, and coordination, ultimately leading to organizational success and goal attainment.

CHECK YOUR PROGRESS – QUIZ 1

1. What is the first step in the planning process?
 - a) Implementing the chosen strategy
 - b) Setting objectives
 - c) Monitoring progress
 - d) Allocating resources

2. Which of the following is NOT a characteristic of a well-defined objective?
 - a) Specific
 - b) Measurable
 - c) Subjective
 - d) Time-bound

3. What is SWOT analysis used for in the planning process?
 - a) Evaluating alternative strategies
 - b) Setting objectives
 - c) Monitoring progress
 - d) Allocating resources

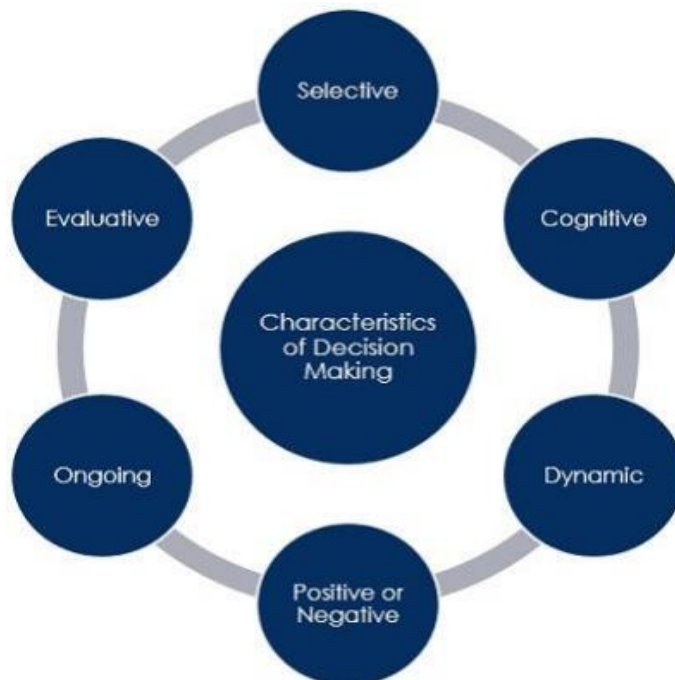
4. Why is it important to communicate objectives to all stakeholders?
 - a) To keep objectives secret
 - b) To ensure everyone knows what needs to be achieved
 - c) To confuse employees
 - d) To avoid accountability

5. What is the purpose of monitoring progress during the implementation of a plan?
 - a) To ensure that no progress is made
 - b) To identify potential issues early
 - c) To discourage employees
 - d) To maintain secrecy

2.2.1 MEANING OF DECISION MAKING

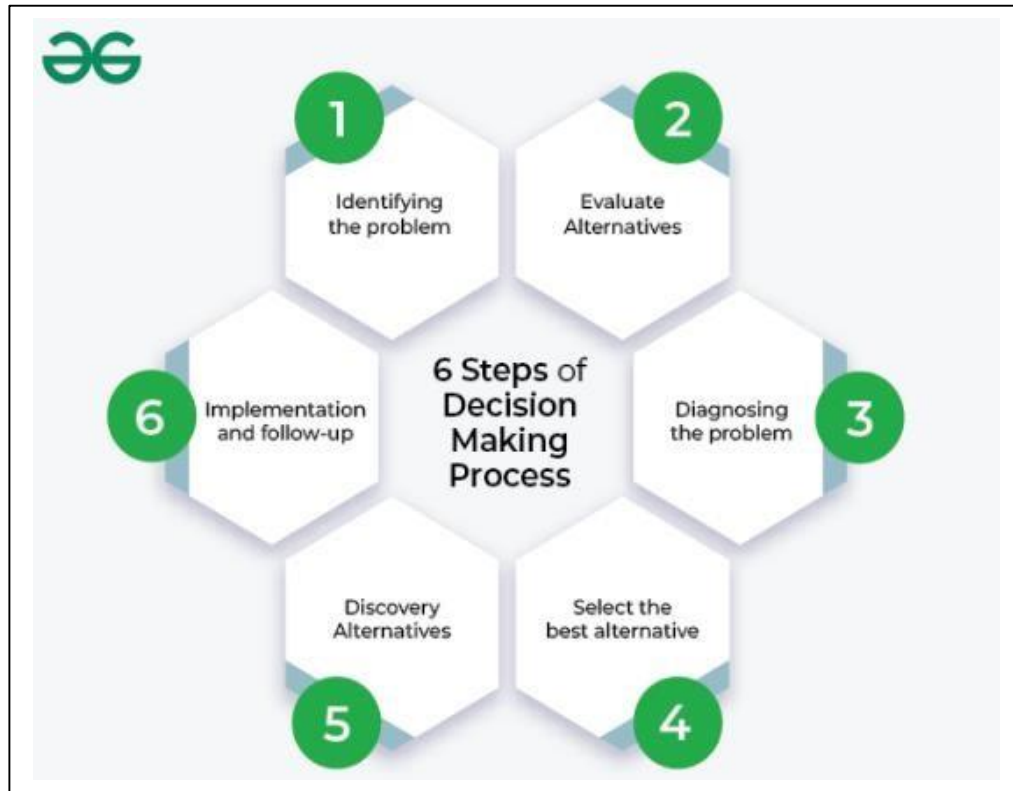
Decision-making refers to selecting the best course of action from among the available alternatives. Decision-making is done only when there are a number of alternatives available. A decision is nothing but a choice between two or more alternatives.

2.2.2 CHARACTERISTIC OF DECISION MAKING



- Decision making is a selection process. The best alternative is selected out of many available alternatives.
- Decision making is the end process. Decision making is preceded by detailed, discussion and selection of alternatives.
- Decision making is an application of intellectual abilities to a greater extent. An intellectual man alone can take a good decisions.
- Decision gives happiness to an endeavor who takes various steps to collect all the information, which is likely to affect a decisions.
- Decision making is a dynamic process. An individual takes a number of decisions each day.
- Decision making is situational. An individual takes decisions according to the situations prevailing.
- Decision is taken to achieve the objectives of an organisation.
- Decision maker has the freedom to take a decision which involves the using if resources in specified ways.
- Decision making involves the evaluation of available alternatives through critical appraisal methods.
- A decision may be either negative or positive. A decision may direct others to do or not to do.

2.2.3 STEPS IN DECISION MAKING



1. Identification of problem

Identification of problem means recognition of a problem. Problem arises due to difference between what is and what should be. The changes of business environment form the main reason for creating of a problem. So, the manager should define what the problem is. A well defined problem is half solved.

2. Analyze of problem

There is a slight difference between problem identification and diagnosing the problem. A doctor can diagnose the disease of a patient. A patient cannot find out what is the real disease. But, a doctor can do so with the information given by a patient. Information is very useful to the doctor. In management, the manager is acting as a doctor while diagnosing the problem.

3. Discuss alternative course of action.

The manager should collect all the necessary information. Then, he should study the information with great care. It is very useful to analyse the problem from different angles. The manager should see that, only relevant information alone is collected and analysed.

Creative thinking is necessary to develop or discover many alternative courses of action. If there is no alternative, there is no need of taking a decision. If there are more and more of alternatives, the manager will have more freedom to take a decision. A problem can be solved in many ways. At the same time, a solved problem should not arise again in the future.

4. Evaluate the alternatives

The next step is to analyze the pros and cons of available alternatives. Some alternatives offer maximum benefits than other. An alternative is compared with other alternatives. The decision maker can prepare a list of limits for each alternative.

The available alternatives are screened in the order of maximum benefits derived from them. Each alternative is evaluated in terms of risks involved in implementing them. Both tangible and intangible factors are considered while evaluating or screening each alternative. Sometimes, two or more alternatives are equally suitable by nature. The decision maker should find the actual difference of alternatives, which will be the deciding factor to select an alternative.

5. Choose the of best alternative.

The next step of the decision maker is to select the best alternative after careful evaluation. An alternative, which gives maximum benefits to the organisation, is selected. At the same time, the selected alternative should fit with the Organizational objectives. The following approaches may be adopted while selecting an alternative.

(a) Experience: The past experience helps a lot to the manager in taking a decision.

(b) Experimentation: Each alternative is put into practice and the results are observed under this approach. An alternative, which gives best results, will be selected.

(c) Research and analysis: This approach is used to take a decision in a critical situation.

6. Implementation and Follow -up

The manager has to implement the decision to achieve desired goals. Decision making process comes to an end with the actual implementation of decision. Implementation plan should provide for time and procedure sequence. Necessary resources should also be allocated and responsibility for specific tasks should be assigned to individuals.

2.2.4 TYPES OF DECISIONS.

Decisions can be classified in a number of ways. Some of them are as follows:

1. Programmed and non-programmed decision.

Programmed decisions are those that are made in accordance with some policy, rule or procedure so that they do not have to be handled de novo each time they occur. Those decisions are generally repetitive, routine and are obviously the easiest for manager to make

E.g.: Pricing ordinary customer's order determining salary payments to employees.

Non-programmed decisions are novel and non-repetitive. If a problem has not arisen before or if there is no cut and dry method for handling it, then it must be handled by non-programmed decisions.

E.g.: How to allocate organizational resources. What to do about a failing product line, etc.

2. Major and minor decisions

A decision which has a long range impact, like replacement of men by machinery or diversification of exciting product lines must be rated as a very major decisions. Decisions, which are rare and have no precedents as guides may be regarded as major decisions.

Decisions, which recur very often, become minor and routine decisions and may be taken at a lower level. The decision to store raw material may be taken as a minor decision, since it does not have a long-range impact, although the amount involved may be substantial.

3. Routine and strategic decisions.

Routine, tactical or housekeeping decisions are those, which are supportive of, rather than central to, the company's operations. They relate to the present. Their primary purpose is to achieve as high a degree of efficiency as possible in the company's ongoing activities.

E.g.: Better lighting, parking facilities, etc.

Strategic decisions are those, which are not of a routine nature. It requires lengthy deliberation and large funds are taken by managers at higher levels.

E.g.: Lowering the price the product, installation of an automatic plant, etc.

4. Individual and group decisions:

Individual decisions are taken where the problem is of a routine nature, where the analysis of a variable is simple and where definite procedures to deal with the problem exist.

Important and strategic decisions, which may result into some change in the organisation, are generally taken by a group. Inter-departmental decisions are also taken by groups consisting of manager of the departments affected by the decision.

2.2.5 IMPORTANCE OF FORECASTING



Forecasting plays a crucial role in management and decision-making for several reasons:

1. Anticipating Future Trends: Forecasting helps organizations anticipate future trends in markets, technologies, consumer behavior, and other relevant factors. By understanding potential changes, businesses can proactively adapt their strategies to remain competitive and capitalize on emerging opportunities.

2. Strategic Planning: Forecasting provides valuable insights for strategic planning. It enables organizations to set realistic goals and develop effective strategies for achieving them. By forecasting future demand, sales, and market conditions, companies can allocate resources more efficiently and make informed decisions about investments, production, and expansion.

3. Risk Management: Forecasting helps identify potential risks and uncertainties that may impact business operations. By assessing different scenarios and their likelihood, organizations can develop risk mitigation strategies to minimize potential losses and disruptions. This proactive approach to risk management enhances resilience and ensures business continuity.

4. Financial Management: Forecasting is essential for financial management, including budgeting, cash flow management, and investment planning. By forecasting future revenues, expenses, and cash flows, organizations can make informed decisions

about budget allocation, pricing strategies, and investment priorities. This enables them to optimize financial performance and achieve long-term sustainability.

5. Resource Allocation: Forecasting guides resource allocation by providing insights into future demand for resources such as raw materials, labor, and equipment. By accurately forecasting demand and production requirements, organizations can optimize inventory levels, minimize wastage, and avoid stockouts or overages. This improves operational efficiency and reduces costs.

6. Performance Evaluation: Forecasting serves as a benchmark for performance evaluation. By comparing actual outcomes to forecasted values, organizations can assess their performance, identify areas for improvement, and take corrective actions as needed. This feedback loop enables continuous learning and refinement of forecasting models and management practices.

7. Strategic Decision-making: Forecasting informs strategic decision-making across various functions and levels of the organization. Whether it's product development, marketing campaigns, supply chain management, or workforce planning, accurate forecasts provide decision-makers with the insights they need to make sound choices that align with organizational goals and objectives.

Let's Sum Up

Decision-making is a fundamental process in both personal and professional contexts, involving the selection of a course of action from among multiple alternatives. It begins with identifying the need for a decision, followed by gathering relevant information, assessing available options, and evaluating their potential outcomes. Factors such as goals, values, preferences, constraints, and risks influence the decision-making process. Various decision-making models and techniques, such as rational decision-making, intuitive decision-making, and group decision-making, can be employed to facilitate the process. Effective decision-making requires critical thinking, problem-solving skills, creativity, and judgment. Ultimately, the goal is to make informed decisions that align with objectives, optimize outcomes, and contribute to individual or organizational success.

Check Your Progress– QUIZ – 2

6. What is the first step in the decision-making process?
- a) Identifying alternatives
 - b) Evaluating options
 - c) Defining the problem
 - d) Implementing the decision
7. Which of the following is NOT a factor that influences decision-making?
- a) Goals
 - b) Values
 - c) Emotions
 - d) Luck
8. What type of decision-making model assumes individuals make decisions by systematically analyzing all available information and alternatives?
- a) Rational decision-making model
 - b) Intuitive decision-making model
 - c) Bounded rationality model
 - d) Satisficing model
9. In group decision-making, what is brainstorming primarily used for?
- a) Generating a diverse range of ideas
 - b) Selecting the best alternative
 - c) Minimizing conflict
 - d) Avoiding individual responsibility
10. What is the final step in the decision-making process?
- a) Identifying the problem
 - b) Evaluating alternatives
 - c) Implementing the decision
 - d) Monitoring the outcome

2.3 UNIT SUMMARY

Planning involves setting objectives, identifying actions, allocating resources, and establishing strategies to achieve goals. It begins with defining goals and assessing the current situation, followed by developing alternative courses of action and selecting the most effective strategy. Supporting plans are formulated to guide implementation, and progress is monitored and adjusted as needed. Effective planning facilitates decision-making by providing a framework for evaluating options and aligning actions with objectives. Decision-making is the process of selecting a course of action from among multiple alternatives. It involves identifying the need for a decision, gathering relevant information, assessing options, and evaluating potential outcomes. Factors such as goals, values, preferences, constraints, and risks influence decision-making. Various models and techniques, such as rational decision-making, intuitive decision-making, and group decision-making, can be employed to facilitate the process. Effective decision-making requires critical thinking, problem-solving skills, creativity, and judgment.

Overall, planning provides the structure and direction for decision-making, while decision-making guides the execution of plans and the achievement of goals. Together, they form a dynamic and iterative process that drives individual and organizational success.

2.4 GLOSSARY

Decision Criteria	The factors or considerations used to evaluate and compare alternatives during the decision-making process.
Satisfying	Choosing the first acceptable option rather than the optimal one, typically due to time or resource constraints.
Trade-off:	The act of sacrificing one desirable option for another when making a decision due to limited resources or conflicting objectives.

Plan:	A plan developed to address unforeseen events or circumstances that may disrupt the implementation of the primary plan.
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2.5 SELF ASSESSEMENT

ESSAY TYPE QUESTIONS

- 1) What is the meaning of planning in the context of management?
- 2) How do Koontz and O'Donnell define planning?
- 3) How does Henri Fayol define planning?
- 4) What are the key attributes of planning?
- 5) Why is planning considered a primary function of management?
- 6) What are the main functions of planning?
- 7) Why is planning important for organizations?
- 8) What are the different types of planning?
- 9) What are the steps involved in the planning process?
- 10) What is Management by Objectives (MBO)?

2.6 CASE STUDY

Apple Inc.: Strategic Planning and Innovation

Apple Inc. is renowned for its meticulous strategic planning process, which focuses on innovation and market leadership. The company sets long-term goals to introduce cutting-edge products and continuously innovate. Apple's planning ensures alignment of its product development with market demands, optimizing resource utilization and maintaining flexibility to adapt to technological advancements and consumer preferences.

Amazon: Expansion and Operational Efficiency

Amazon's expansion strategy showcases the planning process steps from setting objectives to implementation and monitoring. The company uses tools like SWOT and PEST analyses to evaluate market opportunities and threats. Through MBO, Amazon ensures that employees at all levels align their objectives with the company's growth goals, enhancing accountability and performance.

Starbucks: Store Location and Market Penetration

Starbucks' decision-making process for selecting new store locations involves extensive market research and data analysis. The company considers factors like foot traffic, demographics, and competition. The decision-making process includes identifying the problem, gathering information, evaluating alternatives, and implementing the decision, ensuring optimal store placement and market penetration.

Netflix: Content Strategy and Forecasting

Netflix's content strategy relies heavily on forecasting to predict viewer preferences and market trends. The company uses historical data and advanced analytics to make informed decisions about content production and acquisition. This strategic planning helps Netflix stay ahead of competitors by continuously offering engaging content that attracts and retains subscribers.

2.7 ACTIVITIES

Discuss the following points:

- ✓ Develop a SWOT Analysis for a Company of Your
- ✓ Create a Decision-Making Matrix for a Business Scenario Choice
- ✓ Create a Strategic Plan Using the Planning Process Steps

2.8 REFERENCES

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ORGANIZING IN BUSINESS MANAGEMENT

UNIT II – ORGANIZING

Meaning-Definitions-Nature and Scope – Characteristics – Importance – Types - Formal and Informal Organization – Organization Chart – Organization Structure: Meaning and Types –Departmentalization – Authority and Responsibility–Centralization and Decentralization– Span of Management.

Importance of Organization, Types of Organization

SECTION	TOPIC	PAGE NO.
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UNIT OBJECTIVE		
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3.1.2	Definition of Organization	
3.1.3	Nature and Scope of Organization	
3.1.4	Importance of Organization	
3.1.5	Types of Organization	
3.1.6	Formal and Informal	
3.1.7	Organizational Chart	
	Let's Sum Up	
	Check your Progress – Quiz 1.1	
SECTION 3.2	ORGANIZATIONAL STRUCTURE	
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Unit Objectives

- Understanding the fundamental components of management.
- Examines management from various perspectives, highlighting its multifaceted nature
- Understanding management as a series of interconnected activities aimed at achieving organizational goals
- Understanding the significance of clear objectives and effective planning.

3.1.1 MEANING OF ORGANISATION

The word 'Organisation' derived from the word 'Organism' which means an organised body with connected interdependent parts sharing common life. Organisation is the detailed arrangement of work and working conditions in order to perform the assigned activities in an effective manner. Like human body organization. consists of different departments. Each department performs its work independently and cannot be a substitute to another a systematic and rational relationship of authority and responsibility between people and groups.



. It is

3.1.2 DEFINITION

Different authors have defined 'Organisation' differently. Some of the definitions are as follows.

Allen, “ The process of identifying and grouping the work is 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.”

G.R. Terry- “Organisation is the establishing of effective behavioural relationships among persons so that they may work together efficiently and gain personnel satisfaction in doing selected tasks under given environmental conditions for the purpose of achieving some goal or objective”.

According to davis,” Organisation is a group of people, who are cooperating under the direction of leadership for the accomplishment of common end”.

Urwick defines it as, “Dividing up of the activities which are necessary to any purpose and arranging them in groups which are assigned to individual.

Mc Farland, “ An identified group of people contributing their efforts towards the attainment of goals is called organisation”.

Thus, in any organisation the two important ingredients are:

(a) Parts, which consist of human and physical resources, e.g., men, money, materials, machines and methods.

(b) Their relationships with one another, and with the organisation as a whole.

An organisation can accomplish its objectives only when its different parts are effectively integrated and unite in the common endeavour.

3.1.3 CHARACTERISTICS OR FEATURES OR NATURE OF A GOOD ORGANISATION.



1. Division of labour

The total work can be divided into many parts for effective performance of the work. Each part of work may be completed by one person or a group of persons. But, all the parts of the work are done with the aim to achieve the main objective of the organisation. The work is assigned to a person who is specialised in that particular work. This brings in division of labour. Division of labour results in the increase of quality output and quantity of product without any additional capital.

2. Coordination

Different persons are assigned different works in one organisation. But, all the works are performed to achieve the objectives. It implies that there is a need of coordination among the workers in an organisation. Each and every department or section of the organisation should have relationship with each other, to get mutual cooperation.

3. Objectives

The objectives of the organisation should be defined clearly. The objectives cannot be achieved without the existence of a good Organizational structure. In turn, the organisation cannot exist without objectives for a long period.

4. Social system

An organisation is a social system. Its activities are controlled by social and psychological laws. Normally, the employees working in an organisation are influenced in their actions and behaviour by their social and psychological needs.

5. Authority-responsibility structure.

An organisation means an arrangement of position of executives by adopting a rank system. In other words, a subordinate has one boss and a superior has control over the subordinate specifically. The position of each of the executives is defined with regard to the extent of authority and responsibility vested in him to discharge the duties.

6. Communication:

Every organisation has its own communication system and the methods. The success of management depends upon the effective system of communication. The channels of communication may be divided into formal, informal, downward and upward or horizontal.

3.1.4 IMPORTANT STEPS IN THE PROCESS OF ORGANISATION

The important steps in organisation process are as follows:

1. Determining the activities to be performed

It includes the deciding and division of various activities required to achieve the objectives of the organisation. The entire work is divided into various parts and again each part is sub-divided into various sub-

parts. For example, the purchase work may be divided into requisition of items, placing of an order, storage and so on.

2. Assignment of responsibilities.

It involves selection of suitable persons to take charge of activities to be performed at each work point. The tasks to be performed by each group or member should be clearly defined.

3. Delegation of authority.

Assignment of duty must be followed by proper delegation of authority. To perform his job well he must be provided with adequate authority, so that he can secure performance from his subordinates. Generally, the authority flows downwards, i.e. to the middle management and operative levels.

4. Selecting right men for right jobs.

The technical competence, interest and aptitude for the job should be suitably tested, before assigning a job. If the individual concerned lacks the technical ability to do his job, or if he regards it to be mentally unsatisfying, he cannot satisfactorily perform it to the best of his ability.

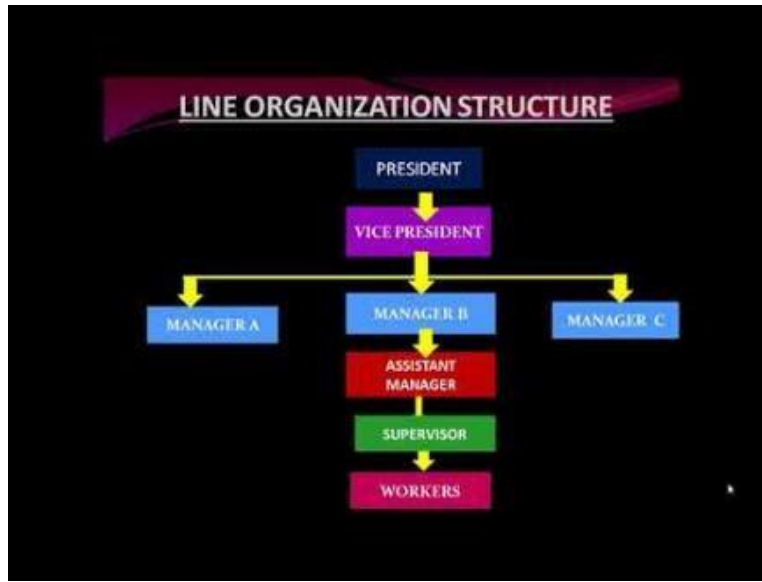
5. Providing right environment

Provision of favourable working environment and generation of right atmosphere is essential for the employees to perform their respective tasks and duties. For E.g.: Location of unit and office at a suitable place, provision of necessary inputs like machines, furniture, stationery, etc. The management should ensure high employee morale and development of right attitudes.

3.1.5 TYPES OF ORGANIZATIONS

The following types of organisation are commonly used in the enterprises.

I. Line organisation / Military organization



Line organisation is the basic framework for the whole organisation. It represents a direct vertical relationship through which authority flows. This is the simplest and oldest form of internal organisation. This form of organisation is also called as chain of command or scalar principle. The authority flows from top to the lower levels.

Line organisation is of two types

- Pure line organisation
- Departmental line organisation

Pure line organisation

In a pure line organisation, at any given level of work, all the individuals perform the same type of work. Their grouping into divisions is only to facilitate effective control and supervision.

Departmental line organisation

The departmental type of line organisation divides the enterprise into different departments, which are convenient for control purposes. There is a unity of control and line of authority flows from top to bottom.

Merit or advantages of line organizations

- **Simple:** It is easy to establish, there are no complications in defining the relationship. Moreover, it is easily understood by workers.
- **Identification of authority and responsibility:** Each individual has his area of authority clearly indicated. Also, he knows to whom he is responsible for his work performance.
- **Unity of control:** There is unity of command and control according to which an employee can be given orders by one superior only. As, such a subordinate does not have to carry out the orders of a number of supervision.
- **Speedy action:** Because of clear division of authority and responsibility, as also unity of command and control, decisions can be made and executed promptly.
- **Flexibility:** Each executive knows what he has to do and feels free to make suitable adjustments to realise the goals set for him.

Other advantages

- ❖ Economical
- ❖ Quick decisions
- ❖ Coordination
- ❖ Effective communication

Demerits / Disadvantages of line organisation

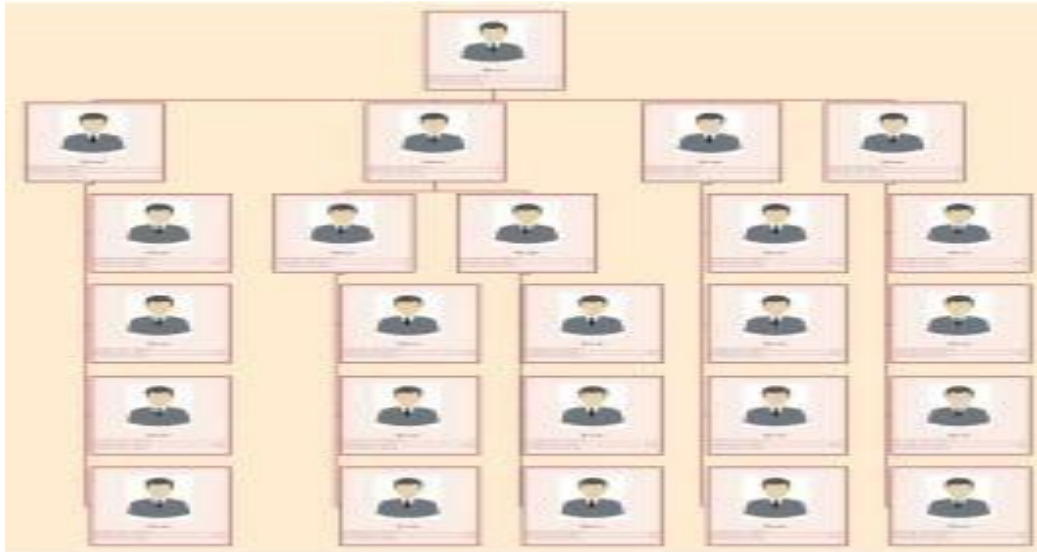
- **Excess work:** In line organisation too much is expected from executives. They are expected to take numerous decisions and supervise the work of subordinates under them. The work load goes on increasing with the expansion and diversification of the unit.
- **Lack of specialization:** The line officers cannot be experts in every line of business. Since they are to take decisions with regard to every aspect of business, the quality of decisions may suffer.
- **Lack of coordination:** There is a lack of coordination among various departments. All departments' heads try to run the departments in their own way and according to their suitability. There may be a lack of uniformity among various departments.
- **Improper communication:** The ultimate authority for taking all decisions lies with line officers. The line officers may become autocratic and start deciding things without consulting their subordinates. The subordinates do not convey their reactions to the superiors. This creates many problems for the smooth conduct of business.
- **Instability:** The business is dependent upon some key persons and the sudden disappearance of such persons from the scene may create instability in the business. There is also a lack of grooming the new persons for taking up important work.

Suitability

- Small concerns with few subordinates.
- Routine type of organisations.

- Industries with automatic machines.
- Military establishments

II. Functional or staff organization



F.W. Taylor, father of scientific management developed the concept of functional organisation. He recommended functional organisation even at the shop level where workers have to produce goods. Here, the organisation is divided into a number of functional areas. Each function is managed by an expert in that area. The executive of a particular function issue orders throughout with respect to his function.

E.g.: The personal manager will decide the questions relating to salary, transfer, etc.

Advantages or merits of functional or organisation

- **Specialization:** It promotes logical division of work and leads of specialisation at every work point.
- **Increase in efficiency:** Since the worker at each work point concentrates on fewer activities, he acquires proficiency in his area of work.

- **Relief of top executives:** It results in a big relief of line executives. Since instructions from specialist flow directly to lower levels, line executives do not have to worry about the routine technical problems faced by workers.
- **Scope for growth:** It provides wide scope for growth and mass production. The employment of specialists at various levels of work enables the organisation to grow as per the needs of the situation.
- **Economy of operations:** With each activity being in charge of a number of specialists, there is not much need to have well trained line executives at each work point.
- **Better supervision:** Each superior is an expert in his own area and he will be successful in making proper planning and execution.

Disadvantages or demerits of functional organisation

- **Conflict in authority:** The principle of 'unity of command' is violated in functional organisation. A subordinate is answerable to many bosses. Every superior considers his work important and wants the workers to give top priority to his assignment.
 - **Lack of coordination:** The appointment of several specialists creates problem of coordination, especially when the advice of more than one is needed for taking decisions.
- **Delay in taking decisions:** The involvement of more than one person in decision making process slows down it. Much time is taken in consulting different specialists prior to decision-making.
- **Poor discipline:** The division of authority creates problem of discipline. They have to obey many bosses, their loyalty becomes divided.

- **Expensive:** Multiplicity of experts increases overhead expenses of the organisation. A number of specialists are appointed for managing various lines of work. They persons being specialists, they demand much together emoluments.

Suitability: Large scale organisations

III. Line and staff organization



It is a combination of line and staff structures. Here, line authority flows in a vertical line as in the line organisation. In addition staff specialists are attached to line position to advice them on important matters. These specialists do not have power to command subordinates of other departments.

Advantages / merits of line & staff organisation

- **Specialisation:** It introduces specialisation in a systematic manner. Persons with specialised knowledge are appointed to help line officers. The planning part is generally under taken by staff personnel and line officers are able to devote much time for execution.

- **Better discipline:** The unity of command is maintained in this type of organisation. The staff personnel do not interfere with the executive work of line officers. The workers get command from line personnel are accountable directly to them for their performance.
- **Balanced and prompt decisions:** The functional managers have the advantage of expert advice when taking important decisions. The staff can also be used to investigate and advise on interdepartmental relationships. The line officers can take balanced and quick decisions.
- **Growth and expansion:** The line and staff organisation is quite suitable for growth and expansion. The burden of line staff is eased by the appointment of specialists.
- **Development of employees:** This organisation provides scope for advancement of career to able and dedicated employees. The separation of functions of planning and doing also helps in creating more and more job opportunities.
- **Lesser burden on line officers:** With the appointment of staff officers the burden of line officers is generally reduced. The specialists help line officers in deciding things regarding their lines of specialisation.
- **Quick actions:** The line officers will have sufficient time to take various decisions. Whenever there are a need for certain decisions, they will be able to devote time and decide the things. Timely decisions can be taken.

Disadvantages/demerits of line and staff organisation

- **Conflict between line and staff personnel:**

There is a possibility of conflict between line and staff personnel. The responsibility for operations lies with line officers while staff officers only advise. The staff officers feel ignored at the hands of

line officers. The line officers, on the other hand, complain of interference by staff persons in the day-to-day working. It adversely affects the work in the organisation.

➤ **Lack of responsibility:**

There is a lack of responsibility for staff officials. They do not account for the actual results of operations. This may tempt them to give rash or theoretical advice.

➤ **More dependence on staff:**

The line officers become habituated for advice staff. They refer every thing to staff for advice. Over dependence on staff will make line officers less creative.

➤ **Lack of coordination:**

There will be a lack of coordination between line and staff. The staff advice may be confused with line orders. The staff officers may also be not clear about their exact role. They may try to dominate the implementation part of their advice.

➤ **Ineffective staff:**

The staff officers do not wield any power they will not get prestige in the organisation. They will feel unimportant and the quantity of advice will also be adversely affected.

➤ **Expensive:**

This type of organisation is very expensive because large number specialists are appointed. The persons being experts in their fields, they demand higher emoluments.

IV. Committee form of organization



A number of persons may come together to take a decision, decide a course of action, advise line officers on some matters, it is a committee form of organisation. It is a method of collective thinking, corporate judgement and common decision. A group of competent and interested persons pool their thoughts for facilitating decision making process.

Advantages / merits of committee form off organization

- **Pooling of opinions:** The members of committees come from different background and areas of expertise and have different viewpoints and values. When persons with varied abilities sit together and discuss a problem, various aspects of the case are highlighted and pros and cons are assessed.
- **Better coordination:** Committee form of organisation brings more coordination among different segments of the organisation. When representatives of different departments sit together, they understand and appreciate the difficulties faced by others.

- **Balancing of views:** This type of organisation helps in balancing the views expressed by different persons. A committee helps to bring out an agreed view of the problem by taking into account divergent views expressed in the meetings.
- **Motivation:** The committee consists of managers as well as subordinates. The views of subordinates are given recognition and importance. The committees boost the morale of subordinates and motivate them to improve their performance.
- **Dispersion of power:** The concentration of power in few persons may lead to misuse of authority and wrong decisions. By spreading powers among committee members this problem can be solved.
- **Better acceptance of decisions:** The decisions taken by committees are better accepted by subordinates. The decision of an individual may be autocratic whereas committees decide in wider perspective of organisation.
- **Better communication:** It is a better form for discussing matters of mutual interest and reaching certain conclusions. The members will transmit correct and authentic information and also convey the background of taking those decisions.
- **Executive training:** Committees provide a good force for training executives. They learn the value of interaction, group dynamics and human relations.

Disadvantages / demerits of committee form of organisation

- **Delay:** The main drawback of committee form of organisation is delay in taking decisions. A number of persons express their view points in meetings and a lot of time is taken on reaching a decision.
- **Compromise:** Generally, efforts are made to reach consensus decisions. The viewpoint of the majority is taken as a unanimous decision of the committee. The thinking of the minority may be valid but it may not be pursued for being singled.

- **No accountability:** No individual accountability can be fixed if these decisions are bad. Every member of the committee tries to defend himself by saying that he suggested a different solution.
- **Domination by some members:** Some members try to dominate in the committee organisation. They try to thrust their view point on others.
- **Lack of effectiveness:** The role of committee is not effective in all areas. The committees may be useful where grievance redressal or inter personal departmental matters are concerned. It may not be effective where policies are to be framed and quick decisions are required.

With all these advantages and disadvantages the managers have to realise the fact that it is inevitable and powerful in all organisations.

3.1.6 FORMAL AND INFORMAL ORGANISATIONS

The organisation may be classified on the basis of authority and responsibility assigned to the personnel and the relationship with each other. In this way, an organisation can be either formal/ informal.

Formal organisation:

It is the structure of relationship created by management for achieving organisation goals. It is an official framework for taking up every activity. Formal organisation clearly defines the authority responsibility relationship among various people working in an enterprise. In simple words, an Organizational structure clearly defining the duties, responsibilities, authority and relationships as prescribed by the top management.

Characteristics features / nature of formal organisations:

- It is properly planned

- It is deliberately impersonal
- The responsibility and accountability at all levels of organisation should be clearly defined.
- Organizational chart is usually drawn.
- Unity of command is normally maintained.
- It provides for division of labour.

Informal organisations:

Informal organisation refers to the relationship between people in an organisation based not on formal hierarchy but on personal attitudes, whims, prejudices, likes and so on. It refers to what people actually do based not on procedures & regulations but on some taste, culture, etc. They work together because of their personal likes & dislikes. It is not created but they appear at their own in a natural way in the formal organisation. E.g.: Salesman receives orders directly from the sales manager instead of his superior.

Characteristics / features / nature of informal organisation.

- It arises without any external causes i.e. voluntarily.
- It is a social structure formed to meet personal needs.
- It has no place in the organisation chart.
- It acts as an agency of social control.
- It can be found on all levels of organisation within the managerial hierarchy.
- The rules and traditions of informal organisation are not written but are commonly followed.
- It develops from habits, conduct, customs and behaviour of social groups.

- It is one of the parts of total organisation.
- There is no structure and definiteness to the informal organisation.

Formal and informal organisation structures are the two important types of organisation followed in the management of an enterprise.

3.1.7 ORGANIZATIONAL CHARTS

Meaning of organisation chart:

Organisation chart is a device showing the Organizational relationships and activities with an organisation. It is a graphic means of narrating the existing formal Organizational structure.

Definitions of Organizational chart:

J. Batty–“An Organizational chart is diagrammatic representation of the framework or structure of an organisation”.

Mc. Farland –“An organisation chart is a type of record showing the formal Organizational relationship which executives intend”.

Advantages / Merits of organisation chart

- ✓ They give a clear picture of the organisation in a simple way.
- ✓ They show the levels of authority and relationship prevailing among employees at a glance.
- ✓ Dual reporting relationship and overlapping positions come to light in the preparation of organisation chart.
- ✓ Newly hired personnel can understand their role in the organisation and behave accordingly.

- ✓ The strength and weakness of an organisation are evaluated with the help of organisation charts.
- ✓ The lines of promotion can be understood through the organisation chart.
- ✓ The outsiders of the organisation can have a quick understanding of each department in an organisation.

Disadvantages / demerits / limitations of organisation chart

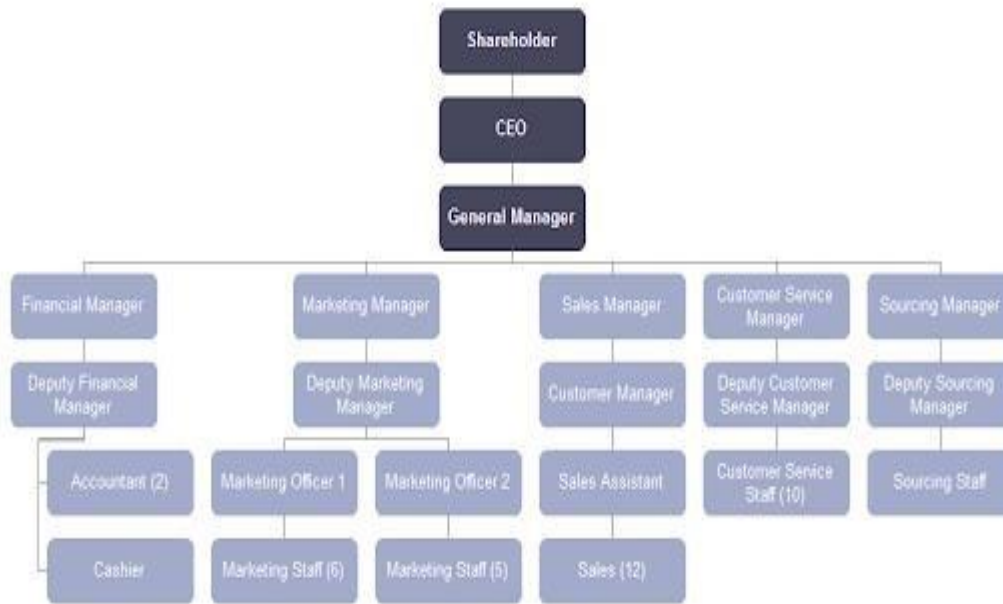
- ✓ They may become out of date within a short span time.
- ✓ Human and intimate relationship cannot be expressed on charts.
- ✓ They make the entire relationship more rigid and authoritative.
- ✓ They can create status problems.
- ✓ If it is not correctly prepared, they will lead to misleading inference.
- ✓ It is a costly proposition for preparing organisation chart.
- ✓ The words and lines used in an organisation charts give different meaning to different persons.

Organisation chart gives full information on a particular organisation. At the same time it has certain limitations also. So it should be prepared correctly and effectively.

Types of Organizational chart:

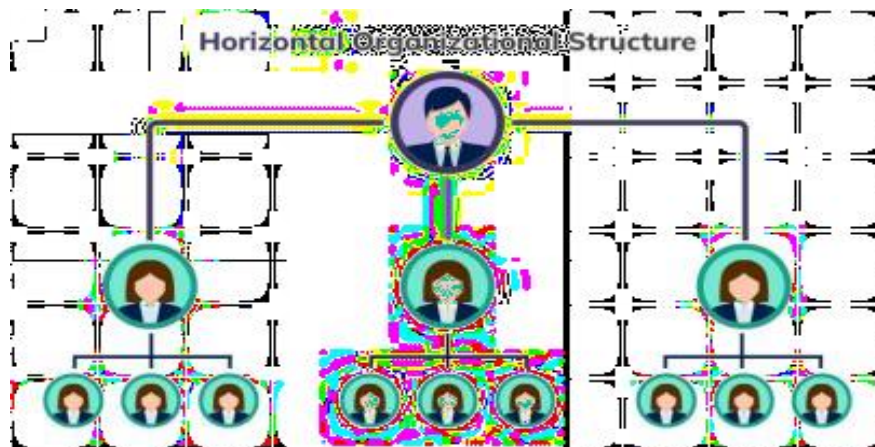
The organisation chart may be classified as follows:

Vertical chart



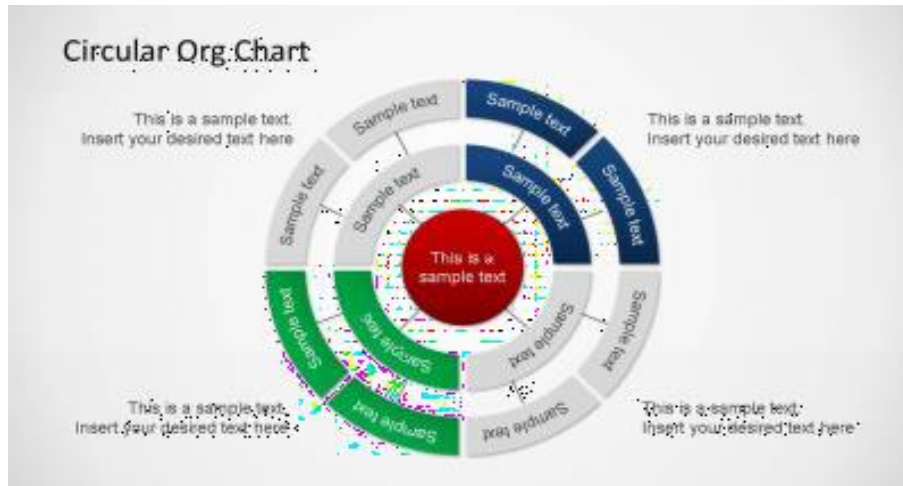
A vertical chart shows the organisation structure in the form of pyramid. In the vertical chart at the top of the structure, the highest position is placed and it is taken downwards as per the importance of position. The line of command proceeds from the top to the bottom in vertical lines. Therefore, it is known as top to bottom chart. It is used in all most all the organisations.

Horizontal chart



There is no much difference between vertical and horizontal charts. The chart in which the lines of command are flowing horizontally is known as horizontal chart. In this chart the higher position is placed on the extremely left. Other authority positions more towards their right as per the importance.

Circular / Concentric chart:



Concentric chart consists of circles where the highest position is placed at the center and the distance from the center indicates the degree of closeness to the highest person.

Let's Sum Up

Organization is the systematic arrangement of people, resources, and activities aimed at achieving specific goals efficiently. It involves establishing a structured framework of roles and relationships, known as the organizational structure, which can be hierarchical, flat, matrix, or networked, depending on the organization's needs. Within this structure, tasks are divided among individuals or groups based on specialization and expertise, facilitating a division of labor that enhances productivity. Effective coordination is essential to ensure that these disparate efforts align with organizational objectives, maximizing overall efficiency and effectiveness. By maintaining clear lines of communication, establishing workflows, and fostering

collaboration, organizations can streamline operations and adapt to changing circumstances while pursuing their goals.

Check Your Process – Quiz 1

1. Which of the following best defines organizational structure?
 - a) The number of employees in an organization
 - b) The way in which tasks and responsibilities are divided, grouped, and coordinated
 - c) The total revenue generated by an organization
 - d) The geographic locations of an organization's offices
- 2) What is the primary purpose of division of labor within an organization?
 - a) To increase employee turnover
 - b) To decrease efficiency
 - c) To enhance specialization and productivity
 - d) To create confusion among employees
- 3) Which type of organizational structure is characterized by having multiple layers of management, each with its own area of authority and responsibility?
 - a) Flat structure
 - b) Matrix structure
 - c) Hierarchical structure
 - d) Network structure
- 4) Which of the following statements about organizational culture is true?
 - a) Organizational culture has no impact on employee behavior
 - b) Organizational culture refers only to the physical layout of an organization's offices
 - c) Organizational culture influences the values, beliefs, and behaviors of employees
 - d) Organizational culture remains constant and unchanging over time

- 5) What is the purpose of coordination within an organization?
- a) To create conflict among employees
 - b) To decrease efficiency
 - c) To ensure that activities and efforts are aligned with organizational goals
 - d) To discourage teamwork and collaboration among employees

3.2 ORGANIZATIONAL STRUCTURE

3.2.1 MEANING ORGANISATION STRUCTURE

Organisation structure is the established pattern of relationships among components or parts of the organisation. It prescribes the relationships among various positions and activities in business. Since various positions are held by persons so structure creates relationship among them.

3.2.2 TYPES OF ORGANIZATIONAL STRUCTURE

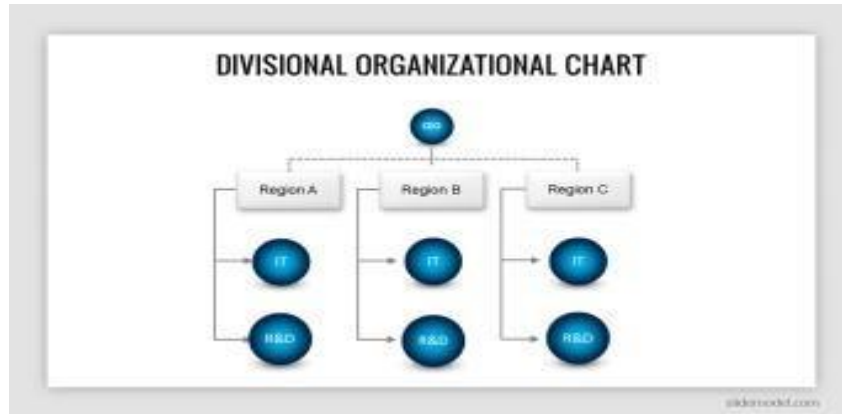
Organizational structure refers to the way in which an organization arranges its lines of authority, communication, and roles to achieve its objectives. Here are some common types of organizational structures:

Functional Structure:



In a functional structure, the organization is divided into departments based on specialized functions such as marketing, finance, operations, and human resources. Each department is responsible for a specific set of tasks related to its function.

Divisional Structure:

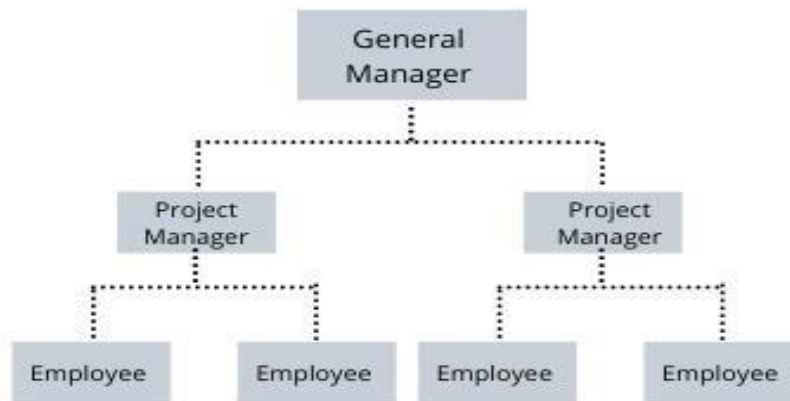


A divisional structure divides the organization into separate units or divisions based on products, services, geographic regions, or customer groups. Each division operates as a self-contained unit with its own functional departments.

Matrix Structure:

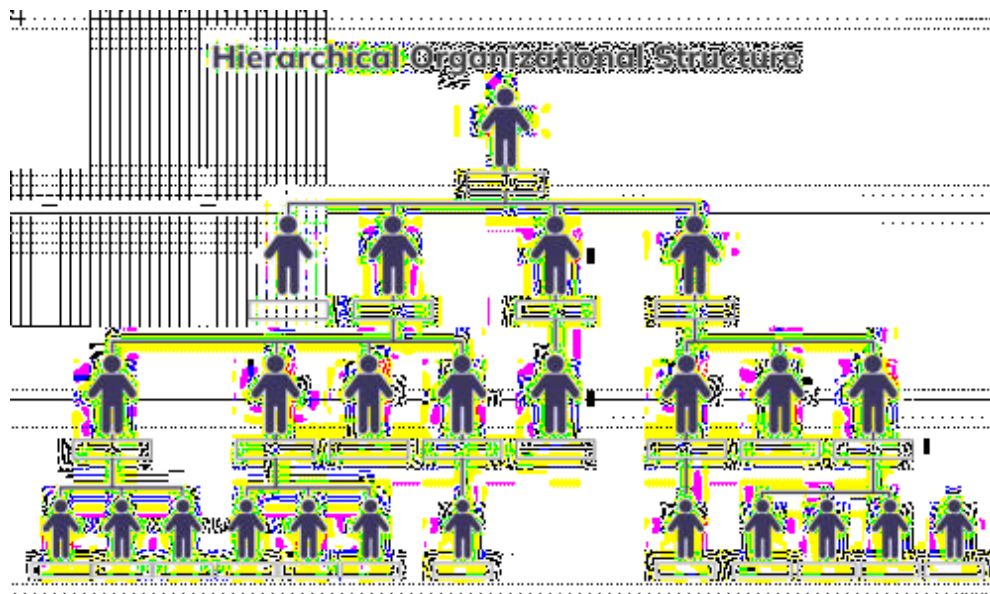


A matrix structure combines elements of both functional and divisional structures. Employees report to both functional managers (based on their area of expertise) and project managers (based on the specific project or product they are working on). Flat Structure:



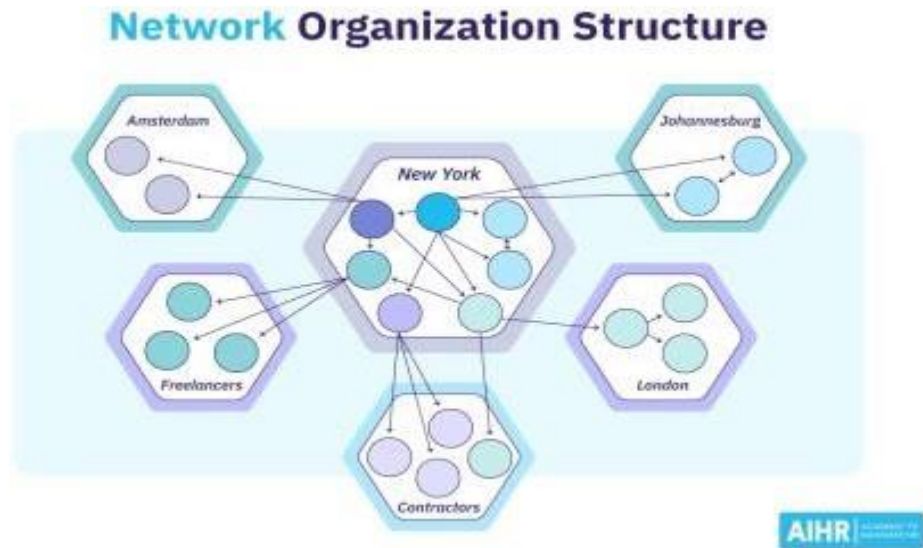
In a flat structure, there are few or no levels of middle management between the staff and the executives. This type of structure promotes communication, flexibility, and quick decision-making.

Hierarchical Structure:



A hierarchical structure, also known as a tall structure, is characterized by multiple levels of management and a clear chain of command. Decision-making authority flows from the top down, with each level of management responsible for overseeing the levels below it.

Network Structure:



A network structure is a more flexible and decentralized form of organization where the company relies heavily on external networks of suppliers, partners, and contractors to perform key business functions. This type of structure is common in industries such as technology and consulting.

3.2.3 DEPARTMENTATION

Meaning of departmentation:

The process of dividing and grouping related activities into units and smaller units for the purpose of administration is called as departmentalisation. In simple words, the horizontal differentiation of tasks or activities into discrete segments is known as departmentalisation.

Importance/ Advantages of departmentalisation.

Specialisation: Departmentation enables an organisation to avail the benefit of division of labour and specialization. It increases the efficiency and performance level of the organisation.

Expansion: One manager can manage only a limited number of subordinates. In the absence of departmentation, the size of the enterprise remains limited. Grouping of activities and personnel into departments makes it possible to expand an organisation to an indefinite degree.

Autonomy: Departmentation results in the division of the enterprise into semi-autonomous units. In these units, every manager is given adequate freedom. The feeling of autonomy provides job satisfaction and motivation which in turn leads to higher efficiency of operations.

Fixation of responsibility: Departmentation enables each person to know the specific part he has to play in the total organisation. It provides a basis for building up loyalty and commitment. The responsibility for results can be defined more precisely and an individual can be held accountable for performance.

Appraisal: Appraisal of managerial performance becomes easier when specific tasks are assigned to departmental personnel. The sources of information, the skills and competence required for total managerial decision can be located.

Management development: Departmentation facilitates communication, coordination and control. It simplifies the training and development of executives by providing them opportunity to take independent decisions and to exercise initiative.

Administrative control: Grouping of activities and personnel into manageable units facilitates administrative control. Standards of performance for each and every department can be precisely determined.

These are the various factors which have considered the departmentalisation so important in an organisation.

Bases/Types of departmentation

The following pattern may be used for departmentation.

- **Functional departmentation:** By far the most widely used base for departmentation in function. Each major function of the enterprise is grouped into a department. For example, there may be production, finance and marketing departments in marketing departments in a manufacturing company.
- **Product/ Services departmentation:** This grouping of activities on the basis of products is very popular with large organisations having distinct type of products. Under this method, all activities related to one type of product are put together under one department under the direction of a production manager. For e.g. Electronic company.
- **Region / Territory / Geographical area departmentation.:** When several production or marketing units of an organisation are geographically dispersed in various locations, it is logical to departmentalise those units on a geographical basis. All activities relating to a particular area or zone may be grouped together under one zonal manager or head.
- **Customers:** An enterprise may be divided into a number of departments on the basis of the customers that it services. One big advantage of this form is that it ensures full attention to major customer groups and this helps the company to earn goodwill. E.g.: Banks, departmental stores, etc.
- **Process departmentation / Equipment:** Departmentalisation is here done on the basis of several discrete processes or technologies involved in the manufacture of a product. For e.g., a concern engaged in the production of vegetable oil may have separate departments for crushing, refining and finishing.
- **Time departmentation:** In departmentalisation by time, activities are grouped on the basis of timing of their performance. Generally this base is

followed in the production function of the enterprise. For e.g., as a small machine shop grows in size, its owner has the choice of either adding extra shifts or renting two or more shops.

- **Combined or composite method of departmentation:** In practice, it may not be advisable to create departments on the basis of any one of the above mentioned method. An enterprise may have to combine two or more of the methods of departmentation to make best use of all of them. Such a method is known as combined or composite method of departmentation.

3.2.4 AUTHORITY AND RESPONSIBILITY:

Authority and responsibility are fundamental concepts within organizational dynamics:

1. Authority: Authority refers to the legitimate power or right to give orders, make decisions, and enforce obedience. It is vested in individuals or positions within an organization based on their hierarchical position, expertise, or formal delegation. Authority provides the ability to control resources, allocate tasks, and ensure that organizational objectives are achieved. Types of authority may include formal authority, derived from one's official position within the organization, and informal authority, which arises from personal influence, expertise, or charisma.

2. Responsibility: Responsibility is the obligation or duty to perform tasks, fulfill roles, or achieve objectives assigned to a particular position or individual within an organization. It involves being answerable for the outcomes of one's actions or decisions. Responsibility is often commensurate with the authority delegated to an individual, as those with the authority to make decisions or take actions are typically held responsible for the consequences. Clarity of responsibility helps ensure accountability within the organization, as individuals understand their roles and obligations in achieving organizational goals.

In summary, authority grants the power to act, make decisions, and enforce compliance, while responsibility entails the obligation to perform assigned tasks and be answerable for the outcomes. Together, authority and responsibility form the basis of organizational hierarchy, governance, and accountability.

3.2.5 CENTRALISATION AND DECENTRALISATION

1. **Centralization:** Centralization refers to the concentration of decision-making authority at the top levels of an organization's hierarchy. In a centralized structure, key decisions are made by a small group of top managers or a single individual. Lower-level employees have limited autonomy and are typically required to follow instructions and guidelines set by upper management.

Key Characteristics of Centralization:

- ✚ Decision-making authority is retained by a few individuals or a single entity.
- ✚ Top management exercises control over key strategic decisions and operational matters.
- ✚ Communication flows primarily from top to bottom, with directives cascading down the hierarchy.
- ✚ Standardization and uniformity are emphasized to ensure consistency in organizational practices.
- ✚ Decision-making processes tend to be efficient and streamlined, but may lack flexibility and responsiveness to local conditions.

Benefits of Centralization:

- ✚ Clear lines of authority and accountability.
- ✚ Consistent implementation of organizational policies and strategies.
- ✚ Efficient allocation of resources and coordination of activities.

Drawbacks of Centralization:

- ✦ Limited employee empowerment and engagement.
- ✦ Slow response to local needs or market changes.
- ✦ Overburdening top management with decision-making responsibilities.

2. Decentralization:

Decentralization involves the delegation of decision-making authority to lower levels of the organizational hierarchy. In a decentralized structure, power and responsibility are distributed across multiple levels and locations within the organization. Lower-level managers and employees have greater autonomy to make decisions and take actions that are aligned with organizational goals.

Key Characteristics of Decentralization:

- ✦ Decision-making authority is delegated to multiple levels of the organization.
- ✦ Lower-level managers and employees have greater discretion in making operational decisions.
- ✦ Communication flows bidirectionally, allowing for feedback and input from various levels.
- ✦ Flexibility and adaptability are emphasized to respond to local needs and market dynamics.
- ✦ Decision-making processes may be more time-consuming, but are often more responsive and innovative.

Benefits of Decentralization:

- ✦ Increased employee empowerment and motivation.
- ✦ Faster response to local market conditions and customer needs.
- ✦ Encouragement of innovation and creativity at lower levels of the organization.

Drawbacks of Decentralization:

- ✚ Potential for inconsistency or conflicting decisions across different units or departments.
- ✚ Difficulty in maintaining alignment with overall organizational objectives. Greater risk of loss of control and coordination challenges.

In practice, organizations may adopt a combination of centralization and decentralization, known as hybrid or mixed structures, to balance the advantages of both approaches and adapt to changing circumstances. The degree of centralization or decentralization can vary depending on factors such as organizational size, industry dynamics, and strategic objectives.

3.2.6 SPAN OF CONTROL/MANAGEMENT

Meaning of span of control:

Span of management, span of supervision, span of authority and span of responsibility are other names for span of control. Span of control means the number of people managed efficiently by a single officer in an organisation. It implies that a single executive should not be expected to give guidance to more people.

In order to avoid overburden to the officers, it is essential to determine the span of control of the executive officers. In an average firm, a executive can efficiently control upto five or six subordinates. Normally, the members exercising span of control are decreased at top-level management and increased at the bottom level management.

Factors governing the span of management:

The appropriate span of management must be determined by the specifics of the manager's particular situation. The following factors determine the optimum span of management.

1. Character of the supervision work: The span of control may be increased whenever the work is performed and standardised. The reason is that, the supervisor has the opportunity to lay down permanent policies followed in an organisation. It results in the control of more number of subordinates. If the nature of work is a complicated one, the span of control has to be restricted.

2. Leadership qualities: The personnel abilities and capacity of a supervisor can influence the span of management. If the supervisor has more skill to control the subordinates, the span of management may be increased and vice-versa.

3. Qualities of the subordinate: If the subordinates have enough talent to perform the work assigned to them, the manager or the supervisor can control more number of subordinates.

4. Time available to supervisor: Most of the executives or supervisors will spend a lot of time for the operating work and administrative duties like planning and organizing activities. They may supervise the subordinates in the remaining available time. So they can control lesser number of subordinates than the person who spends full time for their supervision.

5. Nature for work: Some of the works are repetitive in nature and does not require any extra-ordinary talent to perform. In such cases, the supervisor or the executive can control a large number of subordinates.

6. Level of supervision: Whenever the subordinates perform the work manually, the span of control may be increased. It means that the degree of span of control can be increased at bottom level management and decreased at the top-level management.

7. Well defined authority and responsibility: If the authority and responsibility of each employee are properly defined, they need not make frequent calls on their supervisors for guidance and instructions. This helps a superior to manage a large number of subordinates.

8. Geographic location: An office manager who has 25 employees, all located in one room may be able to supervise them very well. But a sales manager who has 25 sales people located in 25 different districts would find direct supervision impossible.

9. Using of standards: Standards are used in an organisation to detect the errors or faults in the performance of work. So, there is no need for an executive to spend more time in watching the performance of the subordinates. Then the executive can control more number of subordinates.

10. Methods of communication: Methods of communication are also one of the factors, which determine the span of control. The method of communication may be divided into two i.e., oral and written. Oral communication requires more time and energy and these can be avoided in the written communication.

11. Economic considerations: Economic considerations also affect the choice of span. Smaller spans mean a larger number of managers with the added salaries and other costs they entail. But wide spans also involve extra costs in the inefficiencies that result from diminished managerial leadership. Hence, an economic balance has to be arrived at between cost savings that result from the largest possible span and the added costs that an organisation begins to incur, as the span grows too wide.

Let's Sum Up

Authority refers to the legitimate power or right vested in individuals or positions within an organization to make decisions, give orders, and enforce obedience. It can be formal, deriving from one's official position or role, or informal, stemming from personal influence or expertise. Authority is essential for effective organizational functioning, as it provides the framework for decision-making, coordination, and control. Span of control refers to the number of subordinates or employees that a manager or supervisor can effectively oversee and manage. A narrow span of control means that a manager

supervises a small number of subordinates, while a wide span of control involves supervising a larger number. The optimal span of control depends on factors such as the complexity of tasks, level of employee skill and experience, and the degree of decentralization within the organization.

Check your progress – quiz – 3

1. Which organizational structure divides the company into separate units based on products, services, or geographic locations?
 - a) Functional structure
 - b) Divisional structure
 - c) Matrix structure
 - d) Flat structure

2. .What is the primary factor that determines the optimal span of control for a manager?
 - a) The manager's level of experience
 - b) The number of employees in the organization
 - c) The complexity of tasks and responsibilities
 - d) The geographic dispersion of employees

3. Which type of authority is derived from one's official position or role within the organization?
 - a) Formal authority
 - b) Informal authority
 - c) Hierarchical authority
 - d) Delegated authority

4. Responsibility in an organization refers to:
 - a) The legitimate power to give orders and enforce obedience
 - b) The duty to perform assigned tasks and be answerable for the outcomes
 - c) The number of subordinates or employees that a manager supervises
 - d) The division of tasks and responsibilities based on specialization

5. In a matrix structure, employees report to:

- a) Functional managers only
- b) Project managers only
- c) Both functional managers and project managers
- d) Divisional managers

3.3 UNIT SUMMARY

Organizational structure encompasses the formal framework of roles, relationships, and hierarchies within an organization. Common types of organizational structures include functional, divisional, matrix, flat, hierarchical, and network structures. Each structure has its own advantages and disadvantages in terms of communication, coordination, decision-making, and adaptability. Organizational structure influences how authority is distributed, communication flows, and tasks are divided and coordinated within the organization.

Understanding authority, span of control, and organizational structure is essential for managers and leaders to design effective systems of governance, allocate resources efficiently, and foster a culture of accountability and collaboration within the organization. By carefully considering these factors, organizations can enhance their ability to achieve strategic objectives, adapt to changing environments, and promote employee engagement and satisfaction.

3.4 GLOSSARY

Holocracy	A management system characterized by self-organizing teams and distributed decision-making authority, aiming to flatten hierarchies and increase agility.
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Empowerment	The delegation of authority and responsibility to employees, allowing them to make decisions and take ownership of their work
Resilience	The ability of an organization to withstand and recover from disruptions, challenges, or crises while maintaining continuity of operations.
Sustainability	The practice of conducting business in a way that meets the needs of the present without compromising the ability of future generations to meet their own needs, encompassing environmental, social, and economic considerations.
Agile	Refers to the ability of an organization to quickly adapt and respond to changes in the market, technology, or customer needs.

3.5 SELF ASSESSEMENT

ESSAY TYPE QUESTIONS

1. How does the organizational structure of a company impact its communication channels and decision-making processes?
2. Can you identify the advantages and disadvantages of different types of organizational structures, such as functional, divisional, and matrix structures?
3. How can leaders effectively balance exercising authority with empowering employees and promoting autonomy
4. What factors should be considered when determining the appropriate span of control for managers within an organization
5. How does the span of control impact communication, coordination, and employee satisfaction within teams or departments?

6. How does the organizational structure contribute to or hinder the alignment of individual and team goals with overall organizational objectives?
7. What strategies can organizations employ to ensure that authority and span of control support the achievement of strategic goals and priorities?
8. In what ways can organizational structure, authority, and span of control be adjusted to enhance adaptability and responsiveness to changing market conditions or technological advancements?
9. How do decentralized decision-making processes and flatter hierarchies contribute to organizational agility and innovation?

3.6 CASE STUDY

DEF Enterprises is experiencing rapid growth, leading to concerns about the optimal span of control for managers. Conduct a span of control analysis, considering factors such as the complexity of tasks, employee skill levels, and communication channels. Based on your analysis, provide recommendations for adjusting span of control to support organizational effectiveness and employee engagement.

GHI Corporation is facing challenges related to decision-making authority, with some employees feeling disempowered and disconnected from the decision-making process. Explore the sources and distribution of authority within the organization, assess the impact on employee morale and organizational performance, and propose strategies for enhancing transparency, accountability, and employee involvement in decision-making.

JKL Industries has a strong culture of innovation and collaboration but is struggling to align its organizational structure with its cultural values. Examine the relationship between organizational culture and structure, identify areas of misalignment, and recommend changes to the structure, authority, and span of control that support the desired cultural norms and objectives.

3.7 ACTIVITIES

- ✚ Create an Organization Chart for a Hypothetical Company
- ✚ how companies structure their departments based on different criteria

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STAFFING

UNIT IV - STAFFING

Introduction – Concept of Staffing – Staffing Process – Recruitment – Sources of Recruitment – Modern Recruitment Methods - Selection Procedure – Test – Interview – Training: Need – Types –Promotion – Management Games – Performance Appraisal – Meaning and Methods – 360 degree Performance Appraisal –Work from Home –Managing Work from Home [WFH].

Recruitment Process, Sources of recruitment

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Unit Objectives

1. Understand the concept of staffing and its significance in organizational success.
2. Explore the staffing process, including recruitment, selection, training, promotion, and performance appraisal.
3. Analyze modern recruitment methods and their effectiveness in sourcing talent.

4. Examine the challenges and benefits of remote work, specifically focusing on managing work from home (WFH) arrangements.
5. Develop strategies and practices for effectively managing remote teams and ensuring productivity and employee well-being

4.1. STAFFING

4.1.1 Meaning of Staffing

Staffing is a very important part of running a business or an organization. It is referred to as the process of obtaining and hiring of manpower for the various business requirements. Staffing is regarded as an essential managerial function.

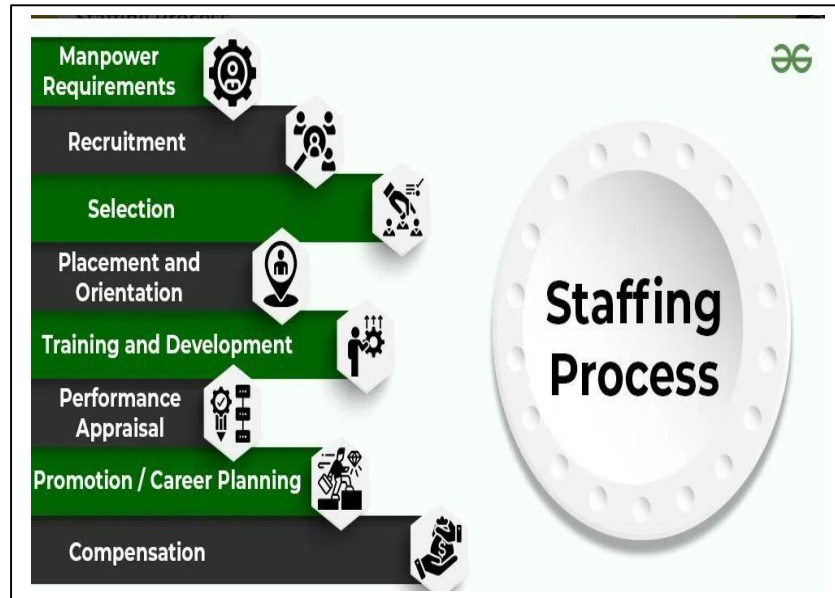


An enterprise is unable to run its operations without the help of human resources. Therefore, human resources play an important role in the functioning of an organization.

S. Benjamin has defined staffing as – “The process involved in identifying, assessing, placing, evaluating and directing individuals at work.”

4.1.1 STAFFING PROCESS CONSISTS OF THE FOLLOWING STEPS:

1. Manpower Planning
2. Recruitment
3. Selection
4. Placement
5. Training
6. Development
7. Promotion
8. Transfer
9. Appraisal
10. Determination of Remuneration



Manpower Planning: Manpower planning is the quantitative and qualitative measurement of the manpower that is required in an organization. It involves evaluation and creation of the manpower inventory and also to develop the necessary talents among the employees that are selected for obtaining promotion.

Recruitment: Recruitment is the process of finding the potential employees of an organization and persuading them to apply for the available positions in the organization. If the recruitment process is followed scientifically, then it will result in better wages, high morale and higher productivity among the employees.

Selection: Selection is the process of shortlisting of potential candidates and eliminating the candidates that are not suitable for the positions available in the organization. The purpose of selection is to hire the right candidate for the right position, which will lead to efficient running of operations for the organization.

Placement: Placement refers to the process of introducing an employee to the job for which he was hired in the organization. The employee will be provided with a basic orientation about the company and its work areas.

Training: Training is the process of providing the newly recruited employees an idea about the type of work that they are going to do and how to do that. This falls under the training department.

Training is an essential part of hiring as it helps keep the employees updated on the way of work in an organization. Also due to advances in technology, newer technologies will evolve, that makes it necessary for employees to be updated with the latest development.

Development: Development refers to the opportunity of growth of the employees in the organization. The organization must provide ample opportunities for the development of the employees, without which the employees may become frustrated.

Promotion: Promotion is referred to as the process of giving the employees a raise in salary, designation or both. The raise in designation is associated with a raise in wages or bonus or incentives. There can be some instances where the change in designation does not result in increase in pay.

Transfer: Transfer is the process of shifting of an employee from one position to another in the organization without any monetary benefit, or any increase in the responsibilities. This function needs to be evaluated from time to time.

Appraisal: Appraisal is the process of checking the progress of the work done by the subordinates. It also studies human behavior and also the attitude and aptitude of the employee towards performing the job.

Determination of Remuneration: The remuneration of an employee is very important for sustenance. It is regarded as one of the difficult functions to perform as there exists no tools which can accurately determine wages.

4.1.2 CONCEPTS OR PRINCIPLES OF STAFFING:



Objective of staffing:

The objective of managerial staffing is to ensure that organization roles are filled by those qualified personnel who are able and willing to occupy them.

Principle of staffing:

This principle rests on an important body of knowledge concerning management practices. Those organizations that have no established job definition, no effective appraisals, and no system for training and development will have to rely on coincidence or sources to fill the positions with able managers.

Job definition:

Since organizational roles are occupied by people with different needs, these roles must have many dimensions such as pay, status, power, discretion that induce managers to perform.

Managerial appraisal:

The more clearly verifiable objectives and required managerial activities are identified, the more precise can be the appraisal of managers against these criteria

Open competition:

The more an enterprise is committed to the assurance of quality management, the more it will encourage open competition among all candidates for management position

Management training and development:

The more management training and development are integrated with the management process and enterprise objectives, the more effective the development programs and activities will be.

Training objectives:

The more precisely the training objectives are stated, the more likely are the chances of achieving them. The analysis of training needs is the basis for training objectives that give direction to development and facilitate the measurement of the training efforts.

Continuing development:

The more an enterprise is committed to managerial excellence, the more it requires that managers practice continuing self-development. This principle suggests that in a fast changing and competitive environment, managers cannot stop learning. Instead, they have to update their managerial knowledge continuously, reevaluate their approaches to managing, and improve their managerial skills and performance to achieve enterprise objectives.

4.1.3 MEANING OF RECRUITMENT:

Recruitment is referred to as the process which involves searching for potential candidates and influencing them in order to fill the vacant positions in the organization. The purpose of recruitment is to find qualified candidates for the development of the organization.



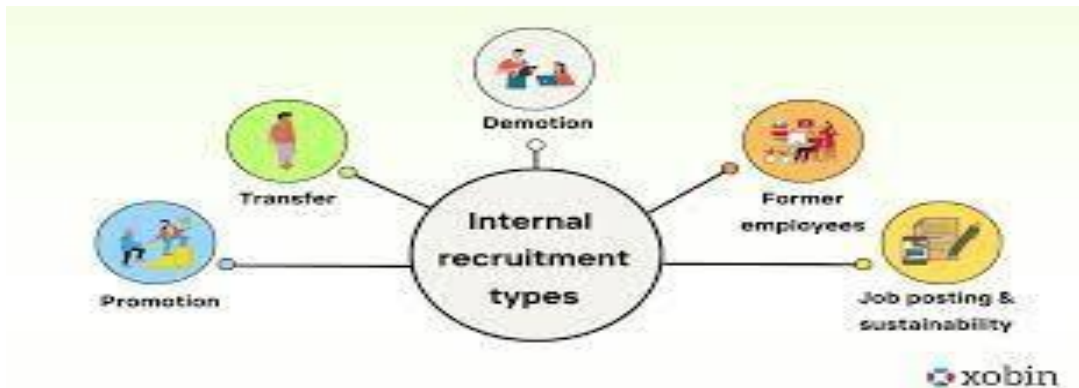
Sources of recruitment refer to various modes of connecting with the job seeker for completing the task of finding potential employees. In simple words, sources of recruitment are the medium through which communication regarding the vacant positions is made aware to the prospective candidates.

There are generally recognized two sources of recruitment, which are **internal and external sources**. Let us discuss these sources in detail in the following lines.

4.1.4 INTERNAL SOURCES OF RECRUITMENT

An internal source of recruitment refers to the recruitment of employees who are already a part of the existing payroll of the organization. The vacancy for the position can be informed to the employee through internal communication.

There are different types of internal hiring in the organization and they are as follows:



1. **Promotion:** Promotion is referred to as the change of designation of the employee. It involves shifting of the existing employee to a higher position within the organization and providing that employee with more responsibility and a raise in pay. Promotion helps in motivating the other employees of the organization to work hard so that they also become eligible for promotion.

2. **Transfer:** Transfer refers to the shifting of an existing employee from one department to another department in an organization.

3. **Employee Referrals:** It can happen that the organization in an effort to cut down costs on hiring is looking for employee referral. The employees are well aware of the job roles in the organization for which manpower is required. These employees will refer potential candidates by screening them based on their suitability to the position.

4. **Former employees:** Some organizations have the provision of hiring retired employees willing to work part time/full time for the organization.

Advantages of Internal Sources

Following are the advantages of the internal sources:

1. The organization saves money on hiring programmes which translates to higher revenue for business.

2. It makes selection and transfer of employees very easy.
3. Internal source of recruitment serves as a morale booster for the existing employees.
4. It provides a sense of loyalty towards the business which results in improved productivity.
5. As existing employees will be aware of the working pattern of the organization, therefore it will take much less time for the re-hires to get adapted to working conditions.

Disadvantages of Internal Sources

Following are some of the disadvantages of the internal sources:

1. Internal recruitment causes reduction in the morale of those employees who are not selected or considered for appraisal.
2. It discourages capable persons from outside to join to work in the company.
3. It can lead to conflict if one employee is selected for promotion, while the others are not considered.

4.1.5 External Sources of Recruitment

External sources of recruitment seek to employ candidates that have not been recruited anytime before in the organization. Introduction of fresh talent among the workforce leads to growth and development of the business. Following are the some of the external sources of recruitment:



1. **Advertisement:** Advertisements serve as a great source of information regarding any job opportunities. This type of source is used for recruitment of middle level employees, or high level employees.
2. **Employment Exchanges:** Employment exchanges serve as a source of recruitment for the people as it is run by the government.
3. **Employment portals:** In this age of technology, development in the field of hiring has taken place. Nowadays many employment portals are open where one can find information about job openings.
4. **Educational Institutions:** Educational institutions also serve as a good source of recruitment as many students or say resources will be available at once under one roof.
5. **Recommendation:** This can also be a good source of recruitment as an existing employee will be able to provide better recommendation for other candidates.

Advantages of External Source

Following are some of the advantages of external sources.

1. It helps in availability of proper skilled labour.
2. There will be availability of new ideas from employees hired using external sources.
3. The employees join as knowledgeable persons which reduces the training time required for new hires.

Disadvantages of External Source

1. It can lead to unhappy employees as the existing employees may feel that they deserved an opportunity for growth.

2. It can lead to lack of cooperation between the new hires and the existing employees.
3. It is a lengthy process where the employee needs to appear for many rounds.

4.1.6 METHODS OF RECRUITMENT:



Traditional Recruitment Methods:

- ✚ **Newspaper**—Recruiters have been using this since long for posting the job vacancies.
- ✚ **Internal Hiring**—Promoting one of the trusted existing employees to a hire position is the most accurate thing to do in terms of reliability.
- ✚ **Local employment office**—To get a variety of localities to have a look at the vacant job, putting up the job in LEOs fill the purpose.
- ✚ **Temp agencies**—one of the oldest methods of recruitment is to take help of a temporary employment agency to find potentials for the company.

Modern Recruitment Methods:

- ✚ **Smart phones**—Easiest and quickest way to connect with anyone in today's time is over a call or text and same goes for the candidates.
- ✚ **Social media/apps**—Various social media platforms such as Facebook, Instagram, twitter, LinkedIn offers a big pool of candidates and an inexpensive way to post the jobs. It has a vast scope of quick engagement with the potential candidate. Along with these What's app and telegram groups are the fastest way

to viral a job post!!

- ✚ **Event recruitment**–To reflect company’s ethics and values and to gain popularity through sponsoring an event is very common these days, and why not? Since it’s a great way to make a network of like minded people which later on helps in recruiting.
- ✚ **Re-recruiting**–Experienced and efficient employees who left their job due to any personal or organizational issue can be welcomed back to fill a position. It is a very convenient way as it saves training cost and reliability is high too!!
- ✚ **Online recruitment**–There are several job websites these days in the market which is the most frequently used method today for recruitment as these websites offer a vast pool of candidates to look at (ex- monster, indeed). Apart from this many recruitment agencies have their own website and job boards where candidates can easily fill a form and apply for that job making it easier for recruiters to get candidates on hand instead of hunting.
- ✚ **Scouting**–Companies send their representatives to universities or colleges to give details about the job vacancies. Popularly heard campus placements is a related term to this.

Let Us Sum Up

Staffing is a crucial function in every organization, involving the process of identifying, attracting, selecting, and retaining competent individuals to fill various positions within the company. The staffing process typically begins with recruitment, where organizations search for potential candidates through various sources. These sources can include internal channels like employee referrals and external channels like job portals, social media, and recruitment agencies. With the advancement of technology, modern recruitment methods such as social media recruiting, employer branding, and AI-powered tools have become increasingly popular for sourcing talent. These methods enable organizations to reach a wider pool of candidates and enhance their employer brand. The recruitment process is followed by selection, where candidates are evaluated through tests, interviews, and assessments to determine their suitability for the job. Overall, effective staffing and recruitment are essential for organizations to build a

talented workforce and achieve their business objectives.

Check Your Progress – Quiz – 1

1. What is the primary objective of staffing in an organization?
 - a) Maximizing profits
 - b) Enhancing employee satisfaction
 - c) Identifying and attracting competent individuals
 - d) Reducing operational costs

2. Which of the following is an example of an external source of recruitment?
 - a) Employee referrals
 - b) Internal job postings
 - c) Social media recruiting
 - d) Succession planning

3. What are modern recruitment methods?
 - a) Traditional methods used for sourcing talent
 - b) Advanced techniques leveraging technology and digital platforms
 - c) Outdated practices no longer relevant in today's job market
 - d) Manual processes for screening candidates

4. Which of the following is NOT a modern recruitment method?
 - a) Social media recruiting

- b) Employee referrals
 - c) Employer branding
 - d) AI-powered recruitment tools
5. What is the purpose of the selection process in staffing?
- a) Identifying potential candidates
 - b) Assessing candidate suitability for the job
 - c) Training new employees
 - d) Promoting employee morale

4.2.1 SELECTION OF EMPLOYEES:

Employee Selection is the process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching.



By selecting best candidate for the required job, the organization will get quality performance of employees. Moreover, organization will face less of absenteeism and employee turnover problems.

Recruitment precedes selection in staffing process. Selection involves choosing the best candidate with best abilities, skills and knowledge for the required job.

The Employee selection Process takes place in following order-

1. Preliminary Interviews- It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview.

Preliminary interviews are less formalized and planned than the final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.

2. Application blanks- The candidates who clear the preliminary interview are required to fill application blank. It contains data record of the candidates such as details about age, qualifications, reason for leaving previous job, experience, etc.

3. Written Tests- Various written tests conducted during selection procedure are aptitude test, intelligence test, reasoning test, personality test, etc.

These tests are used to objectively assess the potential candidate. They should not be biased.

4. Employment Interviews- It is a one to one interaction between the interviewer and the potential candidate. It is used to find whether the candidate is best suited for the required job or not. But such interviews consume time and money both. Moreover the competencies of the candidate cannot be judged.

Such interviews may be biased at times. Such interviews should be conducted properly. No distractions should be there in room.

There should be an honest communication between candidate and interviewer.

5. Medical examination- Medical tests are conducted to ensure physical fitness of the potential employee. It will decrease chances of employee absenteeism.

6. Appointment Letter- A reference check is made about the candidate selected and then finally he is appointed by giving a formal appointment letter.

4.2.2 MEANING OF TRAINING:

“Training is the act of increasing the knowledge and skills of an employee for doing a particular job.” — Edwin B. Flippo



Training is an organized activity for increasing the technical skills of the employees to enable them to do particular jobs efficiently. In other words, training provides the workers with facility to gain technical knowledge and to learn new skills to do specific jobs. Training is equally important for the existing as well as the new employees. It enables the new employees to get acquainted with their jobs and also increase the job-related knowledge and skills.

The need for training of employees arises due to the following factors:

1. **Higher Productivity:** It is essential to increase productivity and reduce cost of production for meeting competition in the market. Effective training can help increase productivity of workers by imparting the required skills.
2. **Quality Improvement:** The customers have become quality conscious and their requirement keep on changing. To satisfy the customers, quality of products must be continuously improved through training of workers.

3. **Reduction of Learning Time:** Systematic training through trained instructors is essential to reduce the training period. If the workers learn through trial and error, they will take a longer time and even may not be able to learn right methods of doing work.
4. **Industrial Safety:** Trained workers can handle the machines safely. They also know the use of various safety devices in the factory. Thus, they are less prone to industrial accidents.
5. **Reduction of Turnover and Absenteeism:** Training creates a feeling of confidence in the minds of the workers. It gives them a security at the workplace. As a result, labour turnover and absenteeism rates are reduced.
6. **Technology Update:** Technology is changing at a fast pace. The workers must learn new techniques to make use of advance technology. Thus, training should be treated as a continuous process to update the employees in the new methods and procedures.
7. **Effective Management:** Training can be used as an effective tool of planning and control. It develops skills among workers and prepares them for handling present and future jobs. It helps in reducing the costs of supervision, wastages and industrial accidents. It also helps increase productivity and quality which are the cherished goals of any modern organization.

4.2.3 METHODS OF TRAINING:

1. ON-THE-JOB TRAINING METHOD
2. OFF-THE-JOB METHODS

Management development is a systematic process of growth and development by which the managers develop their abilities to manage. It is concerned with not only improving the performance of managers but also giving them opportunities for growth and development.



There are two methods through which managers can improve their knowledge and skills. One is through formal training and other is through on the job experiences. On the job training is very important since real learning takes place only when one practices what they have studied.

1. On-the-job Training (OJT) Methods:

This is the most common method of training in which a trainee is placed on a specific job and taught the skills and knowledge necessary to perform it.

The advantages of OJT are as follows:

1. On the job method is a flexible method.
2. It is a less expensive method.
3. The trainee is highly motivated and encouraged to learn.
4. Much arrangement for the training is not required.

On-the-job training methods are as follows:

1. Job rotation:

This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.

2. Coaching:

Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.

3. Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

4. Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem. This helps to improve team work.

5. Internship training:

Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

2. Off-the-job Methods:

On the job training methods have their own limitations, and in order to have the overall development of employee's off-the-job training can also be imparted. The methods of training which are adopted for the development of employees away from the field of the job are known as off-the-job methods.

The following are some of the off-the-job techniques:

1. Case study method:

Usually case study deals with any problem confronted by a business which can be solved by an employee. The trainee is given an opportunity to analyse the case and

come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.

2. Incident method:

Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.

3. Role play:

In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

4. In-basket method:

The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision making skills of employees.

5. Business games:

According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.

6. Grid training: 7. Lectures:

This will be a suitable method when the numbers of trainees are quite large.

Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.

8. Simulation:

Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.

9. Management education:

At present universities and management institutes gives great emphasis on management education. For e.g., Mumbai University has started bachelors and postgraduate degree in Management. Many management Institutes provide not only degrees but also hands on experience having collaboration with business concerns.

10. Conferences:

A meeting of several people to discuss any subject is called conference. Each participant contributes by analyzing and discussing various issues related to the topic. Everyone can express their own view point.

4.2.4 MEANING OF PROMOTION:

Promotion means the advancement of an employee to a higher job involving more work, greater responsibility and higher status. It may or may not be associated with the increment in salary. Sometimes, salary of the employee also increases with the promotion. Sometimes it is not so. When an employee is promoted but his salary does not increase it is known as dry promotion. Promotion means the placement of an employee on a higher post involving greater amount of responsibility, better status, more pay and more perks.

Performance appraisal forms a basis for HR decisions on training, salary increase, promotion, transfer and separation. of these, promotion, transfer and separation functions are effective methods to adjust the size of the workforce of an organization. Promotion, transfer and separation provide workforce flexibility and mobility required to meet the needs of the organization.



Promotion is one of the best forms of incentives and it provides higher responsibilities, better salary, high morale and job satisfaction to the employees. Practically, all the employees aspire for career advancement and promotion is an advancement of the employee in the organizational hierarchy.

The term promotion has been defined by eminent authors as follows:

Edwin B. Flippo, “A promotion involves a change from one job to another that is better in terms of status and responsibilities.”

Performance Appraisal

Performance appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.

2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.



4.2.5 Objectives of Performance Appraisal

Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential in a person for growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. It serves as a basis for influencing working habits of the employees.
6. To review and retain the promotional and other training programmes

4.2.6 360 DEGREE PERFORMANCE APPRAISALS:

It is a system in which employees will get feedback from all the people they work with. There are about 7 to 12 people who will fill out a form which is usually a feedback form. The contents of the form may vary from broad range competencies to work

environment. The employee who receives the feedback will also be required to fill out a self-assessment which again might consist of the same components. This system is used to get an improved understanding of every one's strengths and weaknesses.

There are three general reasons as to why an organization would go in for a 360 degree appraisal.

- ✚ To get a better view of the performance and prospective of future leaders.
- ✚ To have a broad insight of developmental needs of manpower.
- ✚ To collect more feedback so as to ensure justice to the job performed by the employees.

In 360 degree appraisal system, the feedback is collected from managers, peers, subordinates, customers, team members etc. A survey is conducted to get close understanding of-on the job performance of the employees. A 360 degree appraisal has four stages in it:

- ✚ Self-Appraisal
- ✚ Superior's Appraisal
- ✚ Sub-ordinates Appraisal
- ✚ Peer Appraisal

It is not an easy task to implement 360 degree appraisal. For this appraisal to be effective one needs to bear in mind the following:

- ✓ Right skills to be assessed are determined.
- ✓ Appraiser should be selected properly.
- ✓ He should be well aware of the system, if proper training on the appraisal system is not given.
- ✓ Elucidate the intention of this kind of appraisal system.
- ✓ Ensure the process to be simple.

4.2.7 MANAGING EMPLOYEES WORKING FROM HOME:

Allowing staff to work from home on either a full or part-time basis can bring a range of business benefits, including greater staff motivation and increased productivity.

The following top tips highlight key issues you should be aware of if you are considering home working as a possibility for your business.

1. Consider an employee's job and skills

When deciding whether to let an employee work from home, you should consider if the job is suited to home working. For example, telemarketing and writing could be particularly suited to home working. The employee is also likely to need skills in a number of key areas including communication and time management. See types of work and skills suited to home working.

2. Be aware of legal requirements

When an employee starts working from home, it may be necessary to amend their written statement of their terms and conditions of employment. See employment contracts and working from or at home. You will probably need to extend your business insurance to cover equipment used by employees in their homes. See providing equipment for employees who work at home.

3. Provide appropriate equipment

As an employer, you're likely to be responsible for providing, installing and maintaining all equipment unless the employee uses their own. Equipment you need to provide may include a desk and chair, PC or laptop and printer. See providing equipment for employees who work at home.

4. Encourage communication

For staff who work from home, a sense of isolation is one of the reasons that home working may fail. It's therefore important to put formal systems in place to ensure people feel part of the team. See effectively manage employees who work from home.

5. Train and monitor employees

Training can help employees working from home to develop the skills they need, for example, time management or writing reports. Monitoring employees' performance is also important to ensure targets are being met. See effectively manage employees who work from home.

6. Be aware of health and safety responsibilities

You have the same responsibilities for ensuring the health and safety of home workers as you would for staff based at your premises. Your duties are likely to include ensuring equipment is fit for purpose and that lighting levels are appropriate. See your health and safety obligations towards home workers.

7. Consider information security

You should ensure that employees adhere to data protection principles. For example, data security could be compromised if employees working from home use their work computer for personal purposes. You should make clear that the computer you provide is for business use only. You should also install anti-virus and firewall software, use passwords to control access to your network and ensure workers have read your IT policies. See how technology can facilitate working from home.

4.2.8 INTERVIEW TESTS

Job interview tests are specifically designed to evaluate and measure your capabilities to determine how well you fit the role you are applying for. They give an idea of your potential and the likelihood to succeed in the job. Tests can be specific to a role;

for example, if you are applying for the role of an editor, you might be assessed on your grammar and editing skills. However, you might also be assessed to determine personal characteristics such as extroversion/introversion, or your potential to demonstrate behaviors valued by the company such as teamwork, leadership and problem-solving abilities.



1. Aptitude or psychometric tests

These tests evaluate specific skills such as logic, reasoning, numeracy, verbal ability and problem-solving that you are likely to use during the course of your work. As aptitude tests are strictly timed and must be usually completed within 30 minutes, they show how well you can think, process information and work under pressure. Employers use a variety of testing formats (paper-based or online) to assess your aptitude for a specific role. Typically, these are multiple-choice tests with only one correct answer. Employers have specific benchmark scores to compare the performance of several candidates for a particular role.

2. Personality Tests

These tests assess beliefs, communication style, work ethic, interpersonal, teamwork and leadership skills, and how you respond to various situations. Importantly, they help employers determine if your character traits are suited for a specific role and the likelihood that you will enjoy and succeed in that position in the long run. For example, an assessment may determine if you will succeed in a sales job without prior experience. If a job role is not a good fit for your personality, it could lead to lower engagement, productivity and satisfaction

3. Specific Skills Tests

These tests determine if you have skills specific to a highly specialized role. For example, knowledge of certain programming languages for IT roles or your ability to edit or write for editor or writer roles.

4. Job Simulation Tests

These determine how you will perform in actual work settings. Formats can vary and include in-person, take-home or online assignments, presentations or role-playing.

5. Written tests

You will have to write an essay or report, or review or summarize a published or unpublished document, generally on word processing software, such as Microsoft Word.

4.2. 9 MANAGEMENT GAMES

Games should not be played for the sake of it, or for making the life of a facilitator easier. However, there are many reasons for running management games including:

- ✚ A game simulates 'real life' conditions of what the training is trying to communicate
- ✚ It is enjoyable with lots of learning in a short space of time

- ✚ It generates interest in the subject and is rich in experiential learning
- ✚ The game allows participants to easily interact, socialise, and network with others
- ✚ It provides much evidence for the facilitator and participants to debrief and learn from.



Interpersonal skills are key skills for managers and it is possible to read about these in a book. But you can learn more about them from a practical activity, where you get feedback from others on the affect you had on them. Once the behaviour has been experienced, the manager is on the way to a change in behaviour.

Let Sum Up

Recruitment is the process of attracting, sourcing, and selecting qualified candidates to fill job vacancies within an organization. It involves identifying talent needs, sourcing candidates through various channels, and assessing their suitability for the job. Sources of recruitment can be internal or external, including employee referrals, job portals, social media, recruitment agencies, and campus placements. Modern recruitment methods leverage technology and digital platforms to reach a wider pool of candidates, such as social media recruiting, employer branding, talent analytics, and AI- powered recruitment tools. The selection procedure typically involves tests, interviews, and assessments to evaluate candidates' skills, qualifications, and fit for the organization.

Check Your Progress – Quiz – 1

6. What is the primary goal of recruitment?
- a) To maximize profits
 - b) To attract qualified candidates
 - c) To reduce operational costs
 - d) To increase employee turnover
7. Which of the following is an example of an external source of recruitment?
- a) Employee referrals
 - b) Internal job postings
 - c) Recruitment agencies
 - d) Succession planning
8. What are modern recruitment methods?
- a) Outdated practices no longer relevant in today's job market
 - b) Advanced techniques leveraging technology and digital platforms
 - c) Traditional methods used for sourcing talent
 - d) Manual processes for screening candidates
9. Which selection method involves evaluating candidates through tests, interviews, and assessments?
- a) Training
 - b) Recruitment
 - c) Selection
 - d) Promotion

4.3.1 Performance Appraisal

A performance appraisal is a systematic and periodic process of measuring an individual's work performance against the established requirements of the job. It's a

subjective evaluation of the employee's strengths and weaknesses, relative worth to the organization, and future development potential.



- ✚ The supervisors measure the pay of employees and compare it with targets and plans.
- ✚ The supervisor analyses the factors behind work performances of employees.
- ✚ The employers are in position to guide the employees for a better performance.

Performance appraisals are also called performance evaluations, performance reviews, development discussions, or employee appraisals.

If you conduct a successful performance appraisal, you can get a handle on what the employee does best and identify areas that require improvement. Appraisals also come in handy for deciding how to fill new positions in the company structure with existing employees.

4.3.2 Objectives of Performance Appraisal

Performance Appraisal can be done with following objectives in mind:

- ✚ To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.

- ✚ To identify the strengths and weaknesses of employees to place right men on right job.
- ✚ To maintain and assess the potential in a person for growth and development.
- ✚ To provide a feedback to employees regarding their performance and related status.
- ✚ It serves as a basis for influencing working habits of the employees.
- ✚ To review and retain the promotional and other training programmes.

4.3.3 Advantages of Performance Appraisal

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

Promotion: Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.

Compensation: Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance.

Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.

Employees Development: The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyze strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.

Selection Validation: Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know

the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.

Communication: For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:

- ✚ Through performance appraisal, the employers can understand and accept skills of subordinates.
- ✚ The subordinates can also understand and create a trust and confidence in superiors.
- ✚ It also helps in maintaining cordial and congenial labour management relationship.
- ✚ It develops the spirit of work and boosts the morale of employees.
- ✚ All the above factors ensure effective communication.

Motivation: Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

4.3.4 Performance Appraisal Tools and Techniques

Following are the tools used by the organizations for Performance Appraisals of their employees.

- ✚ Ranking
- ✚ Paired Comparison
- ✚ Forced Distribution
- ✚ Confidential Report
- ✚ Essay Evaluation
- ✚ Critical Incident
- ✚ Checklists

- ✚ Graphic Rating Scale
- ✚ BARS
- ✚ Forced Choice Method
- ✚ MBO
- ✚ Field Review Technique
- ✚ Performance Test

We will be discussing the most important performance appraisal tools and techniques in detail.

Ranking Method

The ranking system requires the rater to rank his subordinates on overall performance. This consists in simply putting a man in a rank order.

Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.

Advantages of Ranking Method

- ✚ Employees are ranked according to their performance levels.
- ✚ It is easier to rank the best and the worst employee.

Limitations of Ranking Method

- ✚ The “whole man” is compared with another “whole man” in this method. In practice, it is very difficult to compare individuals possessing various individual traits.
- ✚ This method speaks only of the position where an employee stands in his group. It does not test anything about how much better or how much worse an employee is when compared to another employee.

- ✚ When a large number of employees are working, ranking of individuals become a difficult issue.
- ✚ There is no systematic procedure for ranking individuals in the organization. The ranking system does not eliminate the possibility of snap judgments.

Forced Distribution method

This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (eg: superior, above average, average) or percentiles (eg: top 10 percent, bottom 20 percent etc). Both the number of categories and percentage of employees to be allotted to each category are a function of performance appraisal design and format.

The workers of outstanding merit may be placed at top 10 percent of the scale, the rest may be placed as 20% good, 40% outstanding, 20% fair and 10% fair.

Advantages of Forced Distribution

This method tends to eliminate raters bias by forcing the distribution according to pre-determined percentages, the problem of making use of different raters with different scales is avoided.

Limitations of Forced Distribution

The limitation of using this method in salary administration, however, is that it may lead low morale, low productivity and high absenteeism.

Employees who feel that they are productive, but find themselves in lower grade (than expected) feel frustrated and exhibit over a period of time reluctance to work.

Critical Incident techniques

Under this method, the manager prepares lists of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees or the job.

The manager maintains logs of each employee, whereby he periodically records critical incidents of the workers behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the worker's performance.

Example of a good critical incident of a Customer Relations Officer: - The Officer patiently attended to a customers complaint. He was very polite and prompt in attending the customers problem.

Advantages of Critical Incident techniques

- ✚ This method provides an objective basis for conducting a thorough discussion of an employees performance.
- ✚ This method avoids recency bias (most recent incidents are too much emphasized)

Limitations of Critical Incident techniques

Negative incidents may be more noticeable than positive incidents.

The supervisors have a tendency to unload a series of complaints about the incidents during an annual performance review sessions.

It results in very close supervision which may not be liked by an employee. The recording of incidents may be a chore for the manager concerned, who may be too busy or may forget to do it.

Checklists and Weighted Checklists

In this system, a large number of statements that describe a specific job are given. Each statement has a weight or scale value attached to it. While rating an employee the supervisor checks all those statements that most closely describe the behaviour of the individual under assessment. The rating sheet is then scored by averaging the weights of all the statements checked by the rater.

A checklist is constructed for each job by having persons who are quite familiar with the jobs. These statements are then categorized by the judges and weights are assigned to

the statements in accordance with the value attached by the judges.

Advantages of Checklists and Weighted Checklists

- + Most frequently used method in evaluation of the employees performance.
- + Limitations of Checklists and Weighted Checklists
- + This method is very expensive and time consuming
- + Rater may be biased in distinguishing the positive and negative questions.
- + It becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employees characteristics, contributions and behaviours.

Performance Appraisal Biases

Managers commit mistakes while evaluating employees and their performance. Biases and judgment errors of various kinds may spoil the performance appraisal process. Bias here refers to inaccurate distortion of a measurement. These are:

First Impression (primacy effect): Raters form an overall impression about the rate on the basis of some particular characteristics of the rate identified by them. The identified qualities and features may not provide adequate base for appraisal.

Halo Effect: The individual's performance is completely appraised on the basis of a perceived positive quality, feature or trait. In other words this is the tendency to rate a man uniformly high or low in other traits if he is extra-ordinarily high or low in one particular trait. If a worker has few absences, his supervisor might give him a high rating in all other areas of work.

Horn Effect: The individual's performance is completely appraised on the basis of a negative quality or feature perceived. This results in an overall lower rating than may be warranted. "He is not formally dressed up in the office. He may be casual at work too!".

Excessive Stiffness or Lenience: Depending upon the raters own standards, values and physical and mental makeup at the time of appraisal, rates may be rated very strictly or leniently.

Some of the managers are likely to take the line of least resistance and rate people high, whereas others, by nature, believe in the tyranny of exact assessment, considering more particularly the drawbacks of the individual and thus making the assessment excessively severe. The leniency error can render a system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among the employees.

Central Tendency: Appraisers rate all employees as average performers. That is, it is an attitude to rate people as neither high nor low and follow the middle path. For example, a professor, with a view to play it safe, might give a class grade near the equal to B, regardless of the differences in individual performances.

Personal Biases: The way a supervisor feels about each of the individuals working under him - whether he likes or dislikes them - as a tremendous effect on the rating of their performances. Personal Bias can stem from various sources as a result of information obtained from colleagues, considerations of faith and thinking, social and family background and so on.

Spillover Effect: The present performance is evaluated much on the basis of past performance. “The person who was a good performer in distant past is assured to be okay at present also”.

Recency Effect: Rating is influenced by the most recent behaviour ignoring the commonly demonstrated behaviours during the entire appraisal period.

Therefore, while appraising performances, all the above biases should be avoided.

At its core, 360-degree performance appraisal is a holistic evaluation method that goes beyond traditional approaches. It gathers feedback from various sources, including peers, subordinates, supervisors, and even customers, offering a 360-degree view of an employee's performance.

This method of appraisal has a lot of impact on the global employers. According to the **source (link attached)**, The global 360 Degree feedback software market size is projected to grow from \$1,001.2 million in 2023 to \$2,136.0 million by 2030, at a CAGR

of 11.4% during the forecasting period.

Performance appraisals can be broken down into four distinct significant types:

1. 360-Degree Appraisal

The manager gathers information on the employee's performance, typically by questionnaire, from supervisors, co-workers, group members, and self-assessment.

2. Negotiated Appraisal

This type of appraisal uses a mediator to help evaluate the employee's performance, with a greater emphasis on the better parts of the employee's performance.

3. Peer Assessment

The team members, workgroup, and co-workers are responsible for rating the employee's performance.

4. Self-Assessment

The employees rate themselves in categories such as work behavior, attitude, and job performance.

Note that some organizations use several appraisal types during the same review. For instance, a manager could consult with the employee's peers and assign a self-assessment to the employee. It doesn't have to be a case of either/or.

4.3.5 How Performance Appraisals Work?

Human resources (HR) departments typically create performance appraisals as a tool for employees to advance in their careers. They give people feedback on how well they are doing in their jobs, ensuring that they are managing and achieving the goals set for them and assisting them if they fall short.

Performance evaluations assist in determining how to distribute a company's limited budget for giving out incentives, such as raises and bonuses. In addition, they give businesses a tool to identify the workers who have made the most contributions to their expansion so that they may appropriately reward their top performers.

Performance reviews also assist employees and their managers in identifying areas for improvement and career advancement, as well as in developing a strategy for the employee's development through extra training and more responsibility.

4.3.6 Methods of Performance Appraisals

Performance appraisals come in many forms. Managers and human resources staff responsible for these appraisals need to choose the best methods based on the size of their organization and what sorts of responsibilities the employees fulfill.

1. 720-Degree Feedback

You could say that this method doubles what you would get from the 360-degree feedback! The 720-degree feedback method collects information not only from within the organization but also from the outside, from customers, investors, suppliers, and other financial-related groups.

2. The Assessment Center Method

This method consists of exercises conducted at the company's designated assessment center, including computer simulations, discussions, role-playing, and other methods. Employees are evaluated based on communication skills, confidence, emotional intelligence, mental alertness, and administrative abilities. The rater observes the proceedings and then evaluates the employee's performance at the end.

3. Behaviorally Anchored Rating Scale (BARS)

This appraisal measures the employee's performance by comparing it with specific

established behavior examples. Each example has a rating to help collect the data.

4. Checklist Method

This simple method consists of a checklist with a series of questions that have yes/no answers for different traits.

5. Critical Incidents Method

Critical incidents could be good or bad. In either case, the supervisor takes the employee's critical behavior into account.

6. Customer/Client Reviews

This method fits best for employees who offer goods and services to customers.

The manager asks clients and customers for feedback, especially how they perceive the employee and, by extension, the business.

7. Field Review Method

An HR department or corporate office representative conducts the employee's performance evaluation.

8. Forced Choice Method

This method is usually a series of prepared True/False questions.

9. General Performance Appraisal

This method involves continuous interaction between the manager and the employee, including setting goals and seeing how they are met.

10. Human Resource Accounting Method

Alternately called the "accounting method" or "cost accounting method," this method

looks at the monetary value the employee brings to the company. It also includes the company's cost to retain the employee.

11. Management By Objective (MBO)

This process involves the employee and manager working as a team to identify goals for the former to work on. Once the goals are established, both parties discuss the progress the employee is making to meet those goals. This process concludes with the manager evaluating whether the employee achieved the goal.

12. Performance Tests and Observations

This method consists of an oral test that measures employees' skills and knowledge in their respective fields. Sometimes, the tester poses a challenge to the employee and has them demonstrate their skills in solving the problem.

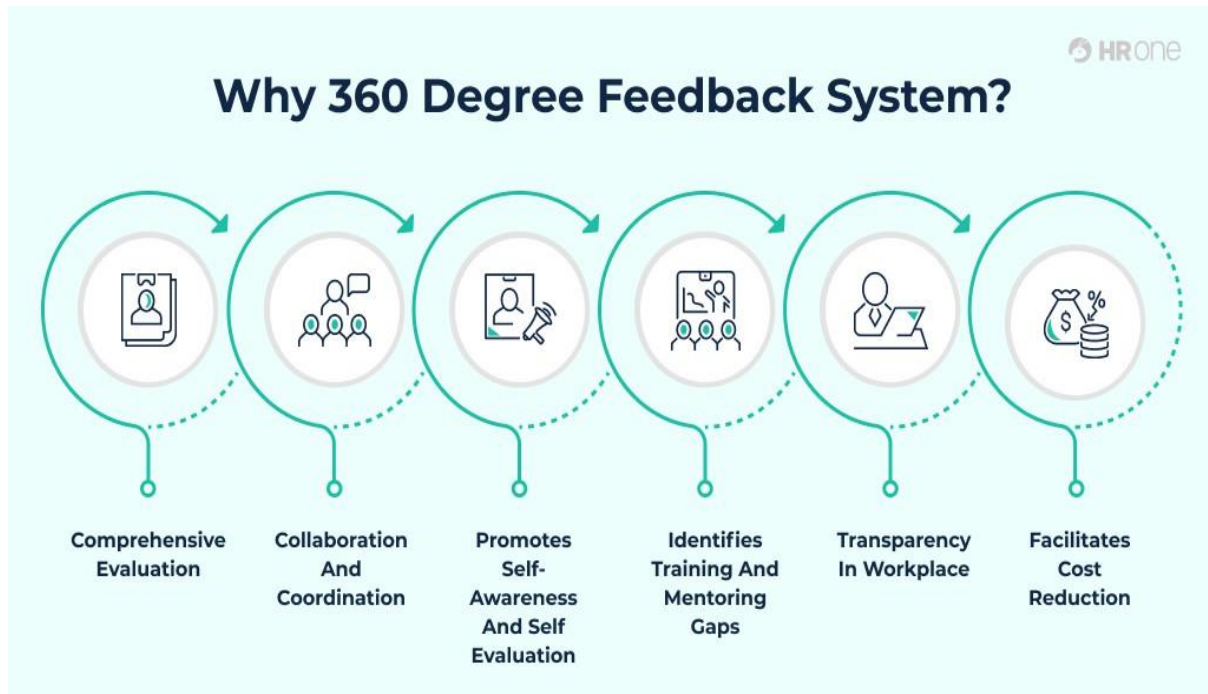
13. Project Evaluation Review

This method involves appraising team members at the end of every project, not the end of the business year.

14. Rating Scales

These ratings measure dependability, initiative, attitude, etc., ranging from Excellent to Poor or some similar scale. These results are used to calculate the employee's overall performance.

360-Degree Appraisal



4.3.7 Importance of 360-Degree Performance Appraisal

A 360-degree performance appraisal is a crucial tool in promoting a more accurate and balanced evaluation, ultimately contributing to the growth and success of both individuals and the organization as a whole which makes it a win-win situation. The 360-degree feedback process involves input from colleagues, subordinates, and even clients which was not the case in the traditional performance reviews conducted solely by supervisors. This comprehensive approach provides a more holistic and well-rounded view of an employee's strengths and areas for improvement.

4.3.8 Key Components of 360-Degree Appraisal

1. Self-assessment

It is a process by which employees get the clarity about where they currently stand in terms of their potential and contribution to the organization. Employees evaluate their performance, reflecting on their strengths and areas for improvement. This helps

employees to plan their career growth by developing required skills.

2. Peer assessment

This is a process where Colleagues provide feedback, offering insights into the teamwork, communication, and collaboration skills of an employee. The feedback not only contributes to an understanding of an employee's performance but also fosters a collaborative and supportive work environment, as it develops teamwork and mutual growth within the organization.

3. Supervisor assessment

Supervisor assessment plays a pivotal role in the importance of 360-degree performance appraisal. In this process, Managers assess the employee's performance, focusing on job-specific skills, goal achievement, and overall contribution. The supervisor's evaluation is the culmination of feedback received by different stakeholders.

4. Subordinate assessment

In a hierarchical setting, employees receive feedback from those they manage, fostering a culture of open communication and leadership development. Subordinate feedback adds depth to the assessment, ensuring a comprehensive understanding of a leader's impact on those they supervise.

5. Customer assessment

Customer feedback helps in improving the performance of the business. The assessment of an employee by external stakeholders based on the employee's interactions, service quality, and customer satisfaction is valuable. This external viewpoint is crucial for businesses to gauge the impact the employee has on the customers which helps organizations to review the contribution of the employee on the right parameters, which helps to determine how much an employee is able to foster business success.

4.3.9 Advantages of 360-Degree Performance Appraisal

1. Comprehensive Feedback

Provides a well-rounded perspective on an individual's performance, capturing insights from various angles. It involves all the stakeholders related to the 360-degree Performance Appraisal like Supervisors, Peers, Subordinates and Customers.

2. Developmental Focus

360-degree Performance Appraisal mainly focuses on the continuous improvement of employees and their career growth. It encourages overall growth by highlighting specific areas for enhancement.

3. Team Collaboration

360-degree appraisal Fosters a collaborative work environment, as feedback comes from peers and subordinates, which helps in promoting teamwork and a smooth flow of communication.

4. Identifying Blind Spots

One of the important purposes of having feedback from different stakeholders is to figure out the areas of improvement in every aspect for better performance of the employee and for the organization. It will also help individuals recognize strengths they may not be aware of along areas where improvement is needed.

5. Fairness and Objectivity

This form of appraisal method ensures rational decisions which have been taken by considering the feedback of all the stakeholders. It minimizes biases associated with single-source assessment, which helps in providing a more accurate and objective assessment.

4.3. 10 Challenges of 360-Degree Performance Appraisal

Feedback Quality

The effectiveness of the appraisal depends on the quality of feedback provided and the individual who is providing the feedback. There might be a lot of factors which may influence the feedback of the respective stakeholders. It might hamper the decision-making process.

Implementation Issues

The execution of 360-degree performance appraisals might be difficult in terms of taking feedback from all the stakeholders. However, one of the most important challenges in implementing this appraisal method is communicating and aligning the thought process of all the stakeholders on the same page.

Time-Consuming

The process of 360-degree performance appraisal is time-consuming as gathering feedback from multiple sources can take a lot of time, requiring careful planning and coordination.

4.3.11 Best Practices for Implementing 360-Degree Appraisal

Clear Communication

One of the most important factors in 360-degree Appraisal is communication between all the stakeholders and to achieve it, HR should take responsibility & ensure all participants understand the purpose, process, and benefits of 360-degree appraisal.

Training

The authorized person should provide training on how to give constructive feedback to ensure the quality and effectiveness of the appraisal. Here, the parameters

should be clearly mentioned to have a rational assessment.

Confidentiality

Keeping the feedback confidential is key to ensuring the smooth flow of communication. It will help in making better decisions.

Follow-Up and Action Plans

Establish a system for follow-up discussions and create action plans based on the feedback received, which will ensure the success of 360-degree Appraisal.

4.3.12 Work from home (WFH)

Work from home (WFH) refers to the practice of employees completing their job responsibilities remotely, typically from their own homes or another location outside of the traditional office environment. This arrangement allows employees to perform their work tasks using digital technologies and communication tools without the need for physical presence at a centralized workplace.



Components of Work from Home:

1. Technology Infrastructure:

- **Hardware:** Remote workers require devices such as laptops, desktop computers, smartphones, and tablets to access work-related tools and applications.
- **Software:** Essential software includes communication platforms (e.g., email, instant messaging, video conferencing), project management tools, document sharing platforms, and other industry-specific software.
- **Internet Connectivity:** High-speed internet access is crucial for remote work to ensure seamless communication, access to online resources, and efficient collaboration.

2. Communication and Collaboration:

- **Virtual Meetings:** Remote teams rely on video conferencing tools like Zoom, Microsoft Teams, or Google Meet for face-to-face meetings, presentations, and discussions.
- **Instant Messaging:** Platforms such as Slack, Microsoft Teams, or Discord facilitate real-time communication and quick exchanges between team members.
- **Email:** Email remains a primary communication tool for asynchronous communication, file sharing, and formal correspondence.

3. Work Management:

- **Project Management Tools:** Platforms like Trello, Asana, or Jira help remote teams organize tasks, track project progress, assign responsibilities, and set deadlines.
- **Time Tracking Software:** Tools like Harvest, Toggl, or Clockify enable remote workers to monitor their time spent on different tasks and projects, aiding in productivity and billing processes.
- **Document Collaboration:** Cloud-based platforms like Google Drive,

Microsoft OneDrive, or Dropbox facilitate collaborative editing and sharing of documents, spreadsheets, and presentations.

4. Security Measures:

- **VPN (Virtual Private Network):** Remote workers may use VPNs to establish secure connections to their company's network, ensuring data privacy and protection when accessing sensitive information remotely.
- **Multi-factor Authentication (MFA):** MFA adds an extra layer of security by requiring users to provide multiple forms of verification (e.g., password, SMS code, biometric data) to access accounts and systems.
- **Data Encryption:** Encryption protocols help safeguard data transmitted over the internet, protecting it from unauthorized access or interception.

5. Work-Life Balance:

- Establishing boundaries between work and personal life is essential to maintain a healthy work-life balance for remote workers.
- Designated workspace: Creating a dedicated workspace at home helps remote employees separate work from leisure activities and minimize distractions.
- Setting clear work hours: Establishing regular work hours and adhering to a consistent schedule can help remote workers maintain structure and routine in their daily lives.

4.3.13 Benefits of Work from Home:

Flexibility: Remote work offers employees flexibility in managing their schedules and allows them to work during their most productive hours.

Cost Savings: Both employees and employers can save on commuting costs, office rent, utilities, and other expenses associated with maintaining a physical workspace.

Increased Productivity: Many remote workers report higher levels of productivity due to fewer distractions and the ability to create an optimal work environment tailored to their preferences.

Access to Global Talent: Employers can access a broader talent pool by hiring remote workers from different geographical locations, enabling diversity and specialized skill sets within teams.

Reduced Carbon Footprint: Remote work reduces the need for daily commuting, leading to lower carbon emissions and environmental impact.

4.3.14 Challenges of Work from Home:

Communication Issues: Remote work can lead to communication challenges due to reliance on digital tools, potentially resulting in misinterpretation or lack of clarity.

Isolation and Loneliness: Remote workers may experience feelings of isolation or loneliness, especially if they lack social interaction outside of work.

Difficulty in Monitoring Performance: Managers may find it challenging to monitor employee performance effectively in a remote setting, leading to concerns about accountability.

Security Risks: Remote work can pose security risks, particularly when employees use personal devices or unsecured networks to access sensitive company information.

Blurred Boundaries: Without clear boundaries between work and personal life, remote employees may find it challenging to disconnect from work, leading to potential burnout.

Let's Sum Up

Performance appraisal is the systematic evaluation of an employee's job performance and contribution to the organization. It involves assessing an employee's strengths, weaknesses, achievements, and areas for improvement. Performance appraisal methods include graphic rating scales,

behaviorally anchored rating scales (BARS), management by objectives (MBO), and 360-degree feedback. The 360-degree performance appraisal gathers feedback from multiple sources, including supervisors, peers, subordinates, and self-assessment, providing a comprehensive view of an employee's performance. With the rise of remote work, managing work from home (WFH) has become increasingly important. Effective management of WFH involves establishing clear communication channels, setting expectations, providing resources, and addressing challenges such as isolation, communication barriers, and work-life balance.

Check Your Progress – Quiz – 3

10. What is performance appraisal?
 - a) Systematic evaluation of employee job satisfaction
 - b) Assessment of employee performance and contribution
 - c) Management of employee benefits and compensation
 - d) Training and development of employees

11. Which performance appraisal method gathers feedback from multiple sources, including supervisors, peers, subordinates, and self-assessment?
 - a) Graphic rating scales
 - b) Behaviorally anchored rating scales (BARS)
 - c) Management by objectives (MBO)
 - d) 360-degree feedback

12. What is the primary challenge associated with managing work from home (WFH)?
- a) Lack of employee training
 - b) Communication barriers
 - c) Over-supervision
 - d) Limited access to resources
13. How can organizations effectively manage WFH?
- a) By ignoring communication challenges
 - b) By setting clear expectations and providing resources
 - c) By micromanaging employees
 - d) By reducing employee autonomy

4.4 Unit Summary

This unit offers a thorough examination of essential concepts concerning staffing processes, recruitment strategies, and the effective management of remote work setups. Beginning with a foundational understanding of staffing's pivotal role in organizational success, the unit underscores the process of identifying, attracting, selecting, and retaining competent individuals to fill various positions within an organization. It delves into the intricacies of recruitment, exploring the sourcing of candidates through diverse channels, such as employee referrals, job portals, and social media platforms.

The discussion extends to modern recruitment methodologies, leveraging technology and digital platforms to allure top talent effectively. Subsequently, the unit explores the selection process, encompassing evaluations through tests, interviews, and assessments to ascertain candidates' suitability for organizational roles. It also examines promotion strategies, management games for skill development, and the significance of performance appraisal techniques like graphic rating scales and 360-degree feedback. Lastly, in response to the growing prominence of remote work, the unit delves into the challenges and strategies associated with managing work-from-home arrangements,

emphasizing effective communication, clear expectations, and resource provision to ensure the success of remote work initiatives.

4.5 Glossary

Staffing Process	The systematic approach to fulfilling staffing needs within an organization, including recruitment, selection, training, and retention.
Sources of Recruitment	The various channels or methods used to attract potential candidates, including internal postings, job boards, employee referrals, etc.
Modern Recruitment Methods	Contemporary approaches to recruitment, such as social media recruiting, online job portals, and recruitment software.
Selection Procedure	The steps involved in evaluating and choosing the most suitable candidates for a particular job, including assessments, interviews, and reference checks.
Test	Assessments used to evaluate a candidate's skills, knowledge, abilities, or personality traits relevant to the job.
Training	The process of developing employees' skills, knowledge, and abilities to perform their job duties effectively.
Training Need	Identifying gaps between desired and actual job performance and determining the necessary training to address these gaps.
Promotion	Advancement of an employee to a higher-level position within the organization based on merit, performance, or seniority.
Management Games	Educational simulations or activities designed to develop managerial skills and decision-making abilities.
Performance Appraisal	The process of evaluating an employee's job performance and providing feedback, typically conducted through formal assessments and discussions.
360-degree Performance Appraisal	A feedback process that involves input from multiple sources, including supervisors, peers, subordinates, and sometimes external stakeholders.

4.6 self-Assessment

ESSAY TYPE QUESTIONS

1. Discuss the importance of effective staffing in organizational success.
2. How does the recruitment process contribute to building a talented workforce?
3. Compare and contrast internal and external sources of recruitment.
4. Explore the role of technology in modern recruitment methods.
5. Describe the components of a comprehensive selection procedure.
6. Explain the importance of conducting a training needs analysis in organizations.
7. What methods can HR professionals use to identify training gaps and design effective training programs?
8. Compare and contrast different types of training methods,
9. Discuss the significance of promotion policies in fostering employee motivation and career advancement.
10. How can organizations ensure transparency and fairness in their promotion processes?
11. Evaluate various performance appraisal methods, including objective measures, subjective evaluations, and 360-degree feedback.
12. What are the strengths and weaknesses of each method performance appraisal, and how do they impact employee performance and development?
13. Performance Management Systems:
14. What strategies can managers employ to promote productivity, collaboration, and employee well-being in a remote work environment?

4.7 case Study

Google's Innovative Staffing Approach"

Google is known for its unconventional staffing methods, such as its rigorous interview process focusing on problem-solving skills and cultural fit.

Netflix's Talent Density Strategy

Netflix emphasizes hiring top-tier talent and promoting a high-performance culture, aligning with its staffing philosophy of prioritizing quality over quantity.
Amazon's Hiring Blitz for Fulfillment Centers"
Amazon's efficient staffing process involves rapid recruitment and onboarding to meet the seasonal demands of its fulfillment centers, showcasing scalability and flexibility in staffing operations.
Recruitment:"Tesla's Innovative Recruitment Campaign for Engineers"
Tesla's creative recruitment strategies, such as hosting coding challenges and hackathons, attract top engineering talent globally to support its groundbreaking projects.
Sources of Recruitment: IBM's Internal Talent Mobility Program
IBM encourages internal talent mobility through programs like "Blue Matching," allowing employees to explore career opportunities within the company before seeking external hires.
Modern Recruitment Methods: Airbnb's Social Media Recruiting Success
Example: Airbnb leverages social media platforms like LinkedIn and Twitter to engage with potential candidates, showcase its company culture, and attract talent globally.
Selection Procedure: "Apple's Multifaceted Selection Process for Retail Employees"
Apple's selection process for retail employees includes multiple rounds of interviews, group activities, and customer service simulations to assess candidates' interpersonal skills and product knowledge.

4.8 Activities

- Investigate and present innovative recruitment methods such as social media recruiting, gamification, or AI-driven talent acquisition platforms
- Identify common training needs in today's workforce and propose suitable training methods to address them.
- Participate in a management simulation game or design your own to simulate

decision-making and leadership challenges.

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MOTIVATION

UNIT V – MOTIVATION

Motivation – Meaning – Theories – Communication – Types – Barriers to Communications Measures to Overcome the Barriers. Leadership – Nature – Types and Theories of Leadership – Styles of Leadership – Qualities of a Good Leader – Successful Women Leaders – Challenges faced by women in workforce - Supervision. Co-ordination and Control Co-ordination – Meaning - Techniques of Co-ordination. Control – Characteristics – Importance – Stages in the Control Process – Requisites of Effective Control and Controlling Techniques – Management by Exception [MBE].

Motivation and Motivation Theories

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Unit Objectives

1. Understand the concept of staffing and its significance in organizational success.
2. Explore the staffing process, including recruitment, selection, training, promotion, and performance appraisal.
3. Analyze modern recruitment methods and their effectiveness in sourcing talent.
4. Examine the challenges and benefits of remote work, specifically focusing on managing work from home (WFH) arrangements.
5. Develop strategies and practices for effectively managing remote teams and ensuring productivity and employee well-being.

5.1.1 MEANING OF MOTIVATION

“Motivation” refers to goal-directed behaviour. It means what a person will choose to do when several alternatives are available to him. It also refers to the strength of his behaviour after he has exercised the choice, and the persistence with which he will engage in such behaviour.



Motivation is an important factor, which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will

enable the increased output of employees but a negative motivation will reduce their performance. A key element in personnel management is motivation.

5.1.2 DEFINITION

Shartle – “Motivation is the reported urge or tension to move in a given direction or to achieve a certain goal”.

Scott – “Motivation means a process of stimulating people to action to accomplish desired goal”.

Koontz and O’ Donnell – “Motivation is a general term applying to the entire class of desires, needs, wishes and similar forces”.

Dublin – “Motivation is the complex of forces starting and keeping a person at work in an organization.

5.1.3 FEATURES OF MOTIVATION



1. A psychological concept

Motivation deals with workers on the psychological plane. Even workers with extraordinary abilities will not be able to perform as desired until they are effectively motivated. Effective performance on the part of workers can be said to be the result of their abilities backed by proper motivation.

$$\text{Performance} = \text{Abilities, Opportunities} \times \text{Motivation}$$

2. Motivation is total, not piecemeal.

A Worker is total, not motivated in parts. For successful motivation, he should be treated as an indivisible unit, taking into account all his urges and aspirations.

3. Motivation is determined by human needs.

A worker will perform the desired activity only so long as he sees his action as a means of continued fulfillment of his strongly felt needs. Once a particular need is satisfied for good, he may lose interest in the activity that provides him satisfaction of the said needs.

4. Motivation may be financial or non-financial

Motivation may be provided in several ways depending upon the needs, emotions and sentiment of workers. But broadly speaking, it may be classified as financial and non-financial.

Financial motivation seeks to satisfy physiological and security needs. Ex: Wages, Bonus etc.

Non-financial motivation seeks to satisfy social, recognition and creative needs. Ex: Appreciation for the work done, higher status & greater responsibility, etc.

5. Motivation is a constant process

Human needs are infinite. No sooner a person has satisfied one need than he seeks to satisfy another. As very aptly put by McGregor, “Man is a wanting animal... as soon as one of his needs is satisfied, another appears in its place. This process is unending...

These are the various inferences i.e. the characteristics inferred from the various definitions of various authors.

5.1. 4 ADVANTAGES OF MOTIVATION

IMPORTANCE OF MOTIVATION



Source : MSG, 2015

The following is the importance of motivation.

1. High performance

Motivated employees will put maximum efforts for achieving organizational goals. The untapped reservoirs of physical and mental abilities are tapped to the maximum. Better performance will also result in higher productivity. Motivation will act as a stimulant for improving the performance of employees.

2. Low employee turnover and absenteeism

When the employees are not satisfied with their job then they will leave it whenever they get an alternative offer. When the employees are employees are satisfied with their jobs and they are well motivated by offering them financial and non- financial incentives then they will not leave the job.

3. Better organizational image

Those enterprises which offer better monetary and non-monetary facilities to their employees have a better image among them. Such concerns are successful in attracting better qualified and experienced persons.

4. Better industrial relations.

A good motivational system will create job satisfaction among employees. The employment will offer them better service conditions and various other incentives. There will be no reason for conflict and cordial relations among both sides will create a

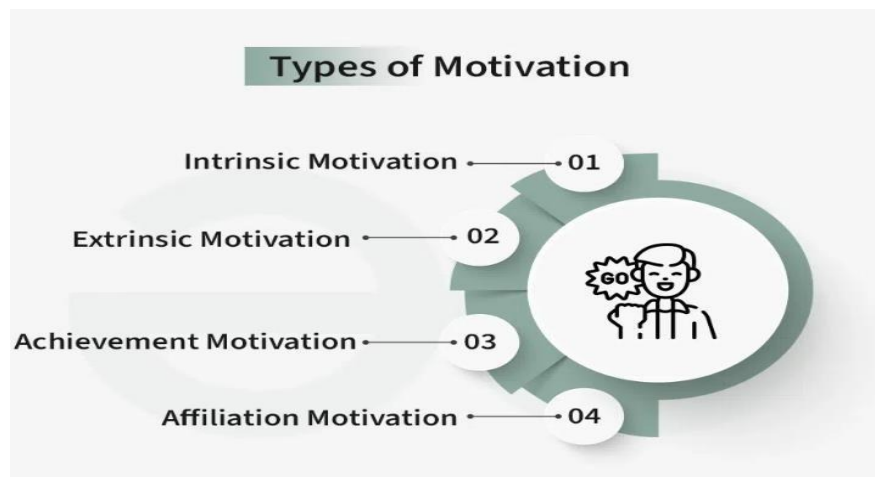
healthy atmosphere.

5. Acceptability to change

The changing social and industrial situations will require changes and improvements in the working of enterprises. Generally, employees resist changes for fear of an adverse effect on their employment. When the employees are given various opportunities of development then they can easily adapt to new situations.

These are the important points which considered the motivated as one of the important factor in any organization to achieve their goals.

5.1.5 TYPES OF MOTIVATION

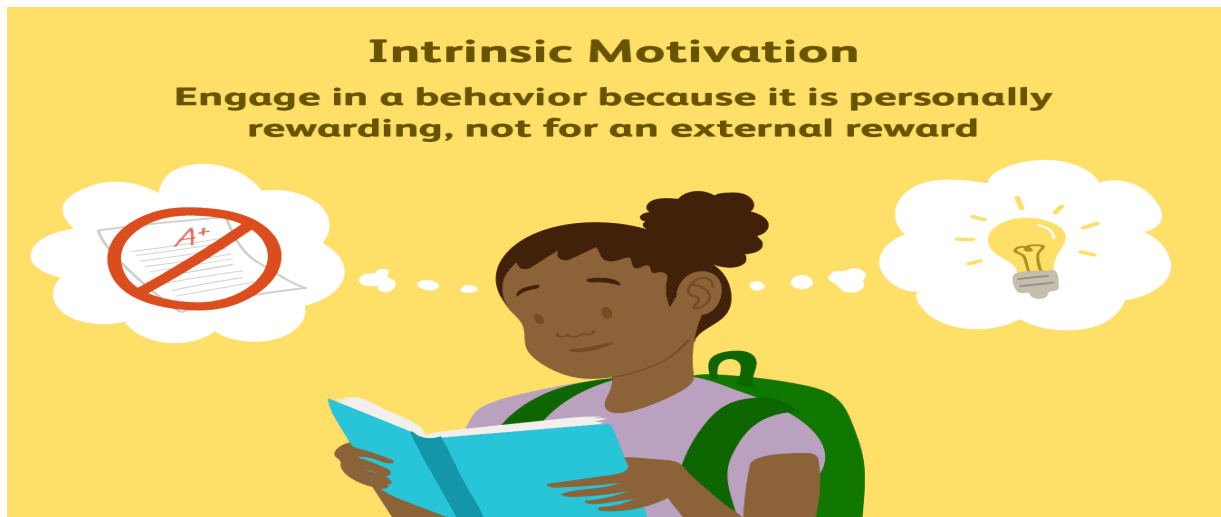


Following are the different type's motivation that helps in identifying what drives people, enabling more effective goal setting and achievement:

1. Intrinsic Motivation

Intrinsic Motivation is when you do something because you really like it, not because you get a reward from outside. It's about doing things for the joy or interest they bring you, not for a prize or to avoid trouble. For example, when you're intrinsically motivated, you might read a book because you love the story, solve puzzles because it's fun, or play sports because you enjoy how they make you feel, not because you want

a trophy or someone's approval. This kind of motivation makes you really get into what you're doing, be creative, and keep going even when it gets tough. People who find their motivation from inside themselves often keep doing their activities even when there's no outside reward. They do it because they love it, and this can make them feel really satisfied and happy with what they're doing.



Ex: Enjoying Reading: Picking up a book because the story interests you or you want to learn, not because it's homework.

Playing Music: Spending time with your guitar or piano because it feels good and you like getting better, and not to pass a test or impress someone.

Features of Intrinsic Motivation:

Doing what you Love: The biggest thing about intrinsic motivation is that you do things because they make you happy, not for rewards like money or prizes.

Following your Interests: You choose to do things that grab your attention or that you're passionate about. It's all about what you find fun and interesting.

Getting Really into It: When you're doing something you're intrinsically motivated to do, you can get so focused that you lose track of time. This is when you're really into what you're doing.

Feeling Free: Intrinsic Motivation is all about feeling like you're choosing to do things on your own, without anyone telling you to. This sense of choice really matters.

Advantages of Intrinsic Motivation:

Better Learning and More New Ideas: When you're motivated, you're more curious and creative. You like to try new things, which helps you learn better and come up with cool ideas.

Doing Better at Tasks: People usually do a better job when they like what they're doing. They work harder and produce better results.

Feeling Happier: Doing things you enjoy can make you happier and more satisfied with life. It meets important needs, like feeling free, good at what you do, and connected to others.

Disadvantages of Intrinsic Motivation:

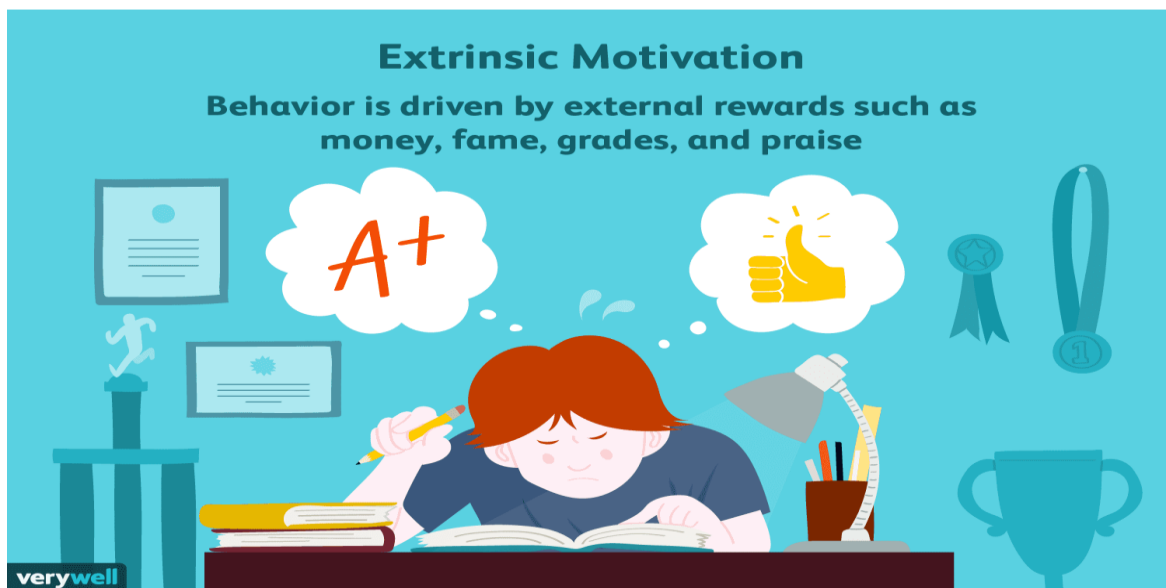
Missing Out on Rewards: Sometimes, focusing just on what you enjoy might mean you miss out on external rewards like money, promotions, or praise that are also important.

Feeling Left Out: If your interests are very different from those around you, it might make you feel lonely or like you don't fit in, especially when others are doing things together.

Hard to Support and Measure: For teachers or bosses, it can be tough to figure out how to encourage intrinsic motivation, especially when things, like grades or pay are usually what motivate people.

2. Extrinsic Motivation

Extrinsic Motivation happens when we do things to get a reward or to avoid something we don't want. It's different from intrinsic motivation, which is when we do things just because we enjoy them. With extrinsic motivation, the reason we act is for things like money, awards, praise from others, good grades, or to stay away from trouble, like being fined or getting negative comments. Basically, we're motivated by something outside of ourselves to do something, not because we find the task itself fun or rewarding. This kind of motivation is used in a lot of places like jobs, schools, and sports to help people reach their goals, finish their work, or do better at something.



Ex: **Extra Work for More Money:** Working more hours than usual because you'll get paid extra for it.

Studying Hard for Grades: Putting in a lot of study time not because you like the subject, but because you want to get good grades.

Features of Extrinsic Motivation:

Outside Rewards: The main thing about extrinsic motivation is that it's all about getting rewards like money, prizes, or praise from others, which are not part of the activity itself.

Rules and Goals: This motivation type often follows rules or goals set by others. People do things to get a reward or avoid trouble, following guidelines to reach these external rewards.

Focus on Results: When people are motivated by external things, they're usually trying to finish a task to get something in return, not because they like the task.

Advantages of Extrinsic Motivation:

Clear Targets: When there are rewards for doing something, it's easier to know what you're aiming for. This helps people understand what they need to do to get what they want.

Quick Motivation: If there's a reward for doing something, even if it's not something you love doing, you might start it quicker. This is handy for tasks at school or work that might not be fun but need to be finished.

Simple to Use: It's pretty easy to set up rewards, like bonuses at work, grades at school, or prizes for winning something.

Disadvantages of Extrinsic Motivation:

Losing Interest: If people get rewards all the time, they might start to care less about doing things just for fun. Once the rewards stop, they might not want to do the activity anymore.

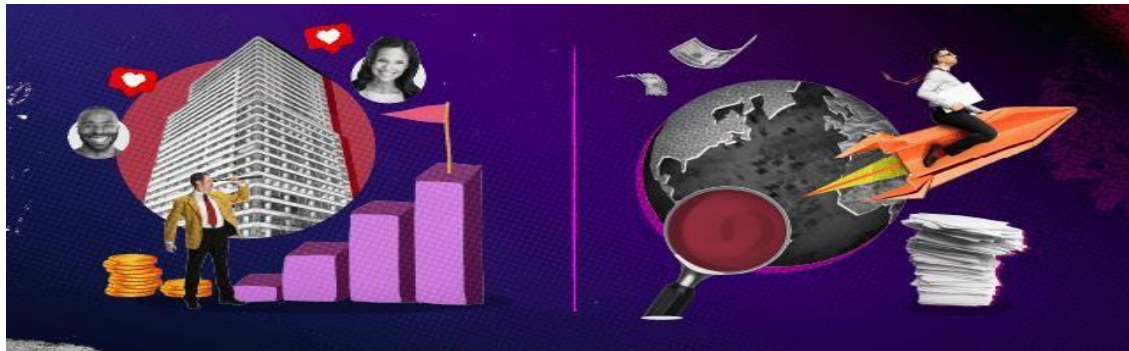
Waiting for Rewards: People might start to expect a reward for everything they do, which can make it hard to keep doing things without getting something in return.

Choosing Easy Over Good: When the goal is to get a reward, some might just do the bare minimum to get it, which can mean the work isn't done as well as it could be.

3. Achievement Motivation

Achievement Motivation is all about wanting to do well, reach goals, and be

successful. It's the feeling that makes people want to overcome challenges, get better at something, and take pride in doing tough tasks. People who really focus on achieving things like to set goals that are hard but possible to reach, keep trying even when things get difficult, and choose tasks that test their skills and effort. These motivated individuals usually care more about the satisfaction of finishing a goal than getting rewards like money or praise. They enjoy tasks where they can see how well they're doing and learn how to improve.



Ex: A student putting in extra study time not just to get through exams, but aiming to be the best in their class because they really want to excel in their studies; an athlete doing more than the usual training, trying to set new personal records or win big competitions, because they love their sport and want to be the best; or a worker taking on tough projects, not just for a bonus or a higher position, but to challenge themselves and grow in their job.

Features of Achievement Motivation:

Focused on Goals: People driven by achievement motivation have clear and challenging goals they want to reach. They make plans to achieve these goals and stick to them.

Keeps Going: They don't give up easily, even when things get tough. They see setbacks as chances to learn and get better.

Likes a Challenge: They prefer tasks that are just right in terms of difficulty—not too easy but not too hard either. These tasks should test their skills and require effort.

Advantages of Achievement Motivation:

Doing Better: People who want to achieve tend to do a better job because they're always aiming to reach tough goals. They work hard and keep going which usually leads to better results.

Staying Strong and Not Giving Up: Being focused on goals helps people keep going, even when things get hard. They see problems as chances to learn and don't easily quit.

Finding Creative Solutions: Wanting to reach goals makes people think outside the box and solve problems in smart ways. They're always looking for new ways to succeed.

Disadvantages of Achievement Motivation:

Feeling Burned Out: Always trying to achieve more and more can lead to feeling super tired, both in your body and mind. It's important to take breaks and relax.

Worrying about Failing: If you're really focused on achieving, you might start to worry a lot about not making it. This worry can make you stressed and afraid to try new things.

Less Time for Friends and Family: Spending a lot of time on reaching your goals might mean you don't have much time left for the people you care about. This can make relationships tough.

4. Affiliation Motivation

Affiliation Motivation is when people really want to make friends, be part of a group, and get along with others. It's all about wanting to feel connected and accepted by people around us. This motivation makes us value being part of a community, enjoying being with friends, and caring a lot about getting along well with others. People who are driven by this kind of motivation prefer to work with others rather than compete against them. They're good at noticing how others feel, really care about being liked, and worry about

being left out or not fitting in.



Example:

An example of someone being motivated by wanting to make friends and connect with others is when a person who enjoys reading joins a book club. This person is looking for more than just reading books; he wants to meet people who like reading as much as he does. In the book club, he talks about books, shares his thoughts, and appreciates being around others who also enjoy reading. His main aim is to feel included and make friends in this group, showing how important it is for him to have connections with others. This shows how the need to be around others and feel part of a group can motivate people.

Features of Affiliation Motivation:

Making Friends: People who really want social connections put a lot of value on friendships and being part of groups. They love feeling connected to others.

Worrying about Fitting In: A big part of wanting to be close to others is worrying about being left out or not accepted. This worry can make people try really hard to be liked.

Liking to Work Together: Those who are driven by this motivation prefer doing things as a team rather than competing. They're the ones who enjoy group projects and teamwork.

Advantages of Affiliation Motivation:

Stronger Support Networks: Having a strong circle of friends and family provides emotional support, help when needed, and a sense of belonging, which is especially important during tough times.

Better Talking and Listening Skills: People who seek out social connections tend to get really good at communicating because they talk and listen to others often. These skills help a lot in life and work.

More United Teams: Those who value being part of a group help make teams stronger and more together. They help everyone get along and work better as a team.

Disadvantages of Affiliation Motivation:

Relying too much on Friends: People might start depending too much on their friends for making decisions or feeling good about themselves, which might make them less confident on their own.

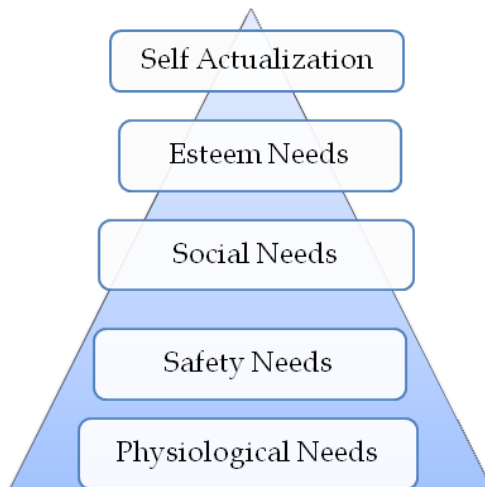
Worrying about being Left Out: The strong wish to be part of a group can make people really scared of being left out, stopping them from being their true selves or trying new things.

Taking Criticism Hard: Those who really want to fit in might get upset by criticism, even when it's meant to help, making it hard for them to improve. Followings are some other types of Motivations

5.1.6 MASLOW'S HIERARCHY OF NEEDS OR MASLOW'S NEED PRIORITY MODEL.

Motivation is influenced by the needs of a person. There is a priority of certain

needs over others. The importance of needs will influence the level of motivation. A. H. Maslow, an American Social Scientist, has given a framework that helps to explain the strength of certain needs. He has categorized human needs into five categories. He is of the opinion that a person tries to achieve first category first and then moves on to the next and so on.



1. Physiological needs

These needs are most essential for the survival and maintenance of body. These include food, clothing, drinking, shelter, rest, etc. A man will try to satisfy these needs first. Unless physiological needs are satisfied no other needs will motivate him. Once these needs are satisfied then these will lead to motivate him and he will want to satisfy the other needs.

2. Safety needs.

Once physiological needs are satisfied then safety needs take the precedence. These are the needs to be free from physical danger and the fear of loss of job, property, shelter, etc. The organization can meet safety needs by installing safety devices at work and can start pension scheme, insurance plan, etc.

3. Social needs

Since people are human beings, they need to belong, to be accepted by others. They are the belongingness needs arising from human instinct of affiliation or associated

with others. Love and affection, mutual relations and identification with some group. These needs are more of the mind than of physique.

4. Esteem needs.

The needs are concerned with self-respect, self-confidence, feeling of being unique, recognition, etc. The satisfaction of these needs bring confidence, power, control and prestige. These are the higher level needs.

5. Self-Actualization needs

These are the higher needs concerned with attaining ones potential as a total human being. It is the desire to maximize one's own ability and capacity to accomplish something appreciable and self fulfilling. It is the highest states of realising ones own self like transforming self in reality.

Maslow's need hierarchy model provides very useful ideas to managers for motivation of their employees. Maslow's theory may not be final answer in motivation, but it has contributed in making management aware of the diverse needs of men at work and their diverse motives.

5.1.7 CRITICISM ARRIVED AT MASLOW'S NEED HIERARCHY THEORY

Maslow's theory has been criticised on the following grounds-

- ❖ No one clarify human needs into clear and specified categories. Determining higher or lower level depends on people's cultural values, personalities and desires.
- ❖ It is a false notion that at a time only one need is satisfied. Needs of more than one level can be jointly satisfied.
- ❖ In practice many of the assumptions of Maslow are not always found.
- ❖ According to Lawler, and Surly, physical and safety needs can be satisfied, but higher level needs are not easily satisfiable

5.1.8 X THEORY AND Y THEORY OF MOTIVATION / MCGREGOR'S

THEORY OF MOTIVATION

Prof. Douglas McGregor has based his theories of motivation on assumptions about basic human nature. These assumptions range from good, hard working, creative and responsible to bad, lazy, unimaginative and irresponsible. These assumptions are apparently sweeping and quite unrealistic, because human beings are neither completely good nor completely bad.

McGregor's X and Y theories:

McGregor has termed his theories as X theory (negative/pessimistic) and Y theory (positive/optimistic).

X Theory:

X theory is traditional in its outlook. It advocates a “Papa knows best” attitude on the part of the manager. In other words, a manager has thorough knowledge and excludes workers from decision-making process. A manager has authority or power to take decisions. The worker should follow whatever decisions are taken by the manager.

Assumptions of X Theory

The theory is based on certain very negativistic assumptions as discussed below:

- ❖ Workers have an aversion to work inherently.
- ❖ Workers may do the job half-heartedly.
- ❖ Workers may find a way to postpone the work completion.
- ❖ Fear of punishment can motivate the workers into action.
- ❖ The workers may know the hazards of non-performance of a work.
- ❖ No worker is ready to accept any responsibility.
- ❖ There is need for explaining the consequences of being in action.

- ❖ A worker prefers to be directed by others.
- ❖ Workers are not interested in achievements
- ❖ Workers hate to improve their efficiency.
- ❖ Workers lack integrity.
- ❖ Worker is also one of the factors of production and does not deserve any special treatment.
- ❖ Workers avoid taking decision whenever necessary.

X theory regards coercive authority as the only effective means to supervise and control workers. Decisions whether right or wrong, have to be made by managers only.

Y Theory

Y theory is just opposite to X theory. Y theory is modern in its outlook. Y theory emphasises the importance of workers in the accomplishment of enterprise objectives. X theory grossly minimizes the role of workers in the process of management. Whereas Y theory keenly emphasises active partnership and cooperation between workers and management so as to accomplish the enterprise objectives.

Assumptions of Y Theory

Y theory is based on the following assumptions,

- ❖ The average human beings have the tendency to work. A job is as natural just like a play.
- ❖ Once the workers understand the purpose of job, he may extend his cooperation for job completion.
- ❖ Worker can put in his best efforts for the accomplishment of enterprise objectives early.

- ❖ The existing worker has competence to work and can take right decisions.
- ❖ A worker expects recognition of the successful accomplishment of task.
- ❖ If right motivation scheme is prepared by the management, the worker is ready to accept extra responsibility.
- ❖ The worker may exhibit his efficiency even for non-monetary rewards such as participation in decision-making, etc.
- ❖ The potentialities of human beings are not fully utilized by any industry.

According to Y theory, a worker has integrity and readiness to work hard. He is willing to participate in the decision-making process and show a sense of creativity and imagination.

DIFFERENCES BETWEEN 'X' THEORY AND 'Y' THEORY

'X' theory	'Y' theory
1. Worker dislike to work themselves	Worker feel that work is as natural as play
2. Workers are not ready to accept responsibility	Workers are ready to accept responsibility if proper motivation is available to them.
3. Workers prefer to be directed by others.	Workers are directed by themselves.
4. Workers are unambitious	Workers are ambitious
5. Authority is not delegated.	Authority is delegated.
6. Workers by natural resist change and want security	Workers are ready to cope with change.

7. Workers lack creativity and fail to solve organizational problem.	Workers have a high degree of creativity and succeed in solving organizational problems
8. Strict control is necessary to achieve organizational objectives.	Workers exercise self control and self direction to achieve organizational objectives.
9. Autocratic leadership is followed.	Democratic leadership is followed.
10. Said to be negative and pessimistic one.	Said to be positive and optimistic one.

5.2.9 WILLIAM'S "Z" THEORY OF MOTIVATION

The "Z" theory, proposed by William Ouchi, is an integrated motivational model, based on the Japanese management practices. It provides an example of how management can transform the organizational environment and bring about close, cooperative and trusting relationships between workers, managers and other groups. The distinguishing features of the "Z" theory are as follows:



1. Life-time employment:

There should be lifetime employment granted to all employees so as to promote a strong bond between them and the organization.

2. Restricted promotions:

Upward mobility of workers through promotion should be restricted as it only leads to saturation in advancement prospects, sooner or later. Instead, the emphasis should be

on horizontal mobility, so that employees do not suffer from a sense of stagnation arising from working at the same post for a long time.

3. Greater workers involvement:

Promotions or financial incentives are only a short-term motivational device. On the other hand, if employees are involved in working with their superiors or on specific projects, they will be motivated more intensely due to [prospects of greater income in future.

4. Participative decision-making:

Employees should be allowed increasing participation in the decision-making process, particularly in regard to matters, which significantly affect them. It will create sense of responsibility and enthusiasm in implementation of such decisions.

5. Informal control system:

Organizational control system should be as informal as possible. Employees should be frequently shifted from one job to another so that they get to have an integrated view of the organizational functions and how each function affects the others.

6. Stable and cohesive work environment:

The work environment should be appropriately stable and cohesive to provide for increasing satisfaction of multiple employee needs. Mutual relationships marked by trust, openness, candour and cooperation will induce employees to develop a sense of commitment to the organization. The “ Z” theory has been criticized on several counts.

Criticisms:

1. It is based on the Japanese management practices, which have evolved from that country's unique cultural settings.
2. There is little by way of research findings to indicate that the firms following this theory have achieved greater productivity than others.

3. It does not provide guidelines as to at what point of time it may be applied in any organization.

5.1. 10 What is Communication?

Communication is crucial to the existence and survival of humans as well as an individual. In other words, communication is the exchange of information between two entities. Every action of ours can be seen as a means to communicate. This exchange is not necessarily in words only. It could be a gesture like a raised eyebrow or waving to a friend when you spot them in a crowd. Communication means sharing something with another person or a group of people.

5.1.11 What are Communication Barriers?

A communication barrier is anything that comes in the way of receiving and understanding messages that one sends to another to convey his ideas, thoughts, or any other kind of information. These various barriers of communication block or interfere with the message that someone is trying to send.

There are numerous barriers to effective communication that can come in the way. It happens because the message sent by the sender might not be understood exactly as it is meant to be. It can get distorted during the communication exchange. These different types of communication barriers can come at any stage in the process of communication. It can come because of the bias or stereotyping and generalization that exists in the workplace.

9 Common Effective Barriers to Effective Communication

A skilled communicator needs to have information about the different types of barriers to effective communication and try to prevent them. These barriers to effective communication can be overcome by active listening, reflection, etc. The communicator must seek feedback from the receiver of the information to check if the message was understood in its true sense. Listed below are some of the common barriers to effective communication.

Using Jargon: If one uses unfamiliar terms or over-complicated technical terms, it could not be understood well.

Lack of Attention or Interest: If the message is irrelevant to the receiver or there are distractions around (like others speaking at the same time) then the message might not be communicated properly.

Perception Difference: If two people see things differently then their viewpoints might come in the way of deciphering the message correctly.

Physical Disabilities: If the receiver has hearing problems, or the speaker has speech disabilities, then communication will not be effective. It will distort the message.

Emotional Barriers: Sensitive topics make it difficult for the speaker or the receiver to engage properly in the communication exchange. It could also be that some people are not comfortable expressing themselves; hence their words might not reflect the true meaning of what they want to convey. Topics that may be taboo or off-limits for some people are politics, religion, mental or physical disabilities, racism, sexuality, and any other unpopular options.

The Difference in Culture: Social interactions have different norms in different cultures. For example, the idea of space exists in some cultures and social settings but not in the same form in others. These cultural differences could prevent effective communication.

Physical Barriers to Communication: A face-to-face communication has a lot of parts to the communication than just the words. Facial expressions, body language, gestures, etc. are also involved in the whole communication process. If you can't see the person, then some messages might get lost. Text messages, phone calls, etc. are some of the technological ways of communicating which lack the effect of a personal meeting.

Language Difference: The difference in dialects of different regions or unfamiliar accents can make it difficult to understand the message sent.

Prejudices: Most people have preconceived notions about many things; hence they hear only what they want to listen to, not what is being said. These false assumptions and stereotyping lead to barriers in communication.

5.1.12 How to Overcome Barriers to Effective Communication?

Following are the different measures to overcome effective communication:

Ideas should be Clear before Communication

The person sending the message should have clear ideas in his mind about what he wants to convey. He should know the objective of the message and accordingly, he should arrange his thoughts in a systematized way.

Sender should communicate According to the Receiver's Needs

The sender should frame the structure of the message not according to his own level or ability but should keep in mind the level, understanding, and environment of the receiver.

Consult Others before Communication

During Communication planning, suggestions should be invited from all the concerned persons. Its main benefit is that all those people who are involved in the communication planning will contribute to the success of the communication system.

Be Aware of the Tone, Content, and Language of the Message

The sender should consider that the message should be transmitted in a clear, precise, and easy language. The tone of the message should not hurt the feeling of the receiver. Hence, try to formulate the content of the message in brief and ensure to avoid technical words.

Convey Things that is Helpful to Listener

The content of the message should be helpful and valuable to the receiver. The need and interest of the receiver should be kept in mind before communicating. Communication becomes more effective in such situations.

Ensure to getting Proper Feedback

The aim of getting feedback is to find whether the receiver has properly understood the meaning of the message received. While communicating face to face, the reaction on the face of the receiver can be easily understood.

Message should be Consistent

The message sent to the receiver should not be inconsistent. The information transferred should be in accordance with the objective, programs, policies, and techniques of the organization. When a new message is sent in place of the old message, a sender should always mention it as it will create confusion.

Follow Up Communication

To make the communication effective, the manager should attempt to know the weakness of the communication system. In this condition, effort should be made to know whether it is appropriate to focus more on formal communication or informal communication.

Be a Good Listener

Both sender and receiver must be good listeners in the communication process. Both should understand each other's points of view with patience, attention, and a positive attitude. A receiver can receive much relevant information if he is a good listener.

Let's Sum Up

Motivation is the process that initiates, guides, and sustains goal-oriented behaviors, influenced by various theories such as Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, McClelland's Theory of Needs, Expectancy Theory, and Self-Determination Theory. Communication is the act of conveying information through verbal, non-verbal, visual, interpersonal, and mass communication. Barriers to effective communication include physical, psychological, language, cultural, organizational, and perceptual barriers. Overcoming these barriers involves active listening, clear messaging, feedback, cultural sensitivity, improved communication channels, and training.

Check Your Progress – Quiz – 1

1. Which of the following is NOT one of Maslow's Hierarchy of Needs?
 - a) Physiological
 - b) Safety
 - c) Esteem
 - d) Financial

2. According to Herzberg's Two-Factor Theory, which of the following is a motivator?
 - a) Salary
 - b) Job security
 - c) Recognition
 - d) Working conditions

3. Which theory focuses on the need for achievement, power, and affiliation?
 - a) Maslow's Hierarchy of Needs
 - b) Herzberg's Two-Factor Theory

- c) McClelland's Theory of Needs
 - d) Expectancy Theory
4. What type of communication uses body language and facial expressions?
- a) Verbal Communication
 - b) Non-verbal Communication
 - c) Visual Communication
 - d) Mass Communication
5. Which of the following is NOT a barrier to communication?
- a) Psychological barriers
 - b) Cultural barriers
 - c) Organizational barriers
 - d) Technological barriers

5.2.1 MEANING OF LEADERSHIP

Leadership is the ability to build up confidence and zeal among people and to create and urge in them to be led. Whenever, there is an organised group of people working towards a common goal, some type of leadership becomes essential.

To be a successful leader, a manager must possess the qualities of foresight, drive, initiative, self-confidence and personal integrity.

DEFINITION

Koontz and O'Donnell – “Leadership is the ability of a manager to induce subordinates to work with confidence and zeal”.

Peter Drucker – “Leadership is not making friends and influencing people i.e. salesmanship. It is the lifting of man’s visions to higher sights, the raising of man’s personality beyond its normal limitations”.

George R. Terry – “Leadership is the activity of influencing people to strive willingly for group objectives.

Dublin .R – “Leadership is the exercise of authority and making decisions”.

5. 2. 2 NEED FOR LEADERSHIP IN MANAGEMENT

The importance of leadership in any group activity is too obvious to be over emphasized. The success of an enterprise depends to a great extent, upon effective leadership.

1. Perfect organization structure.

An organization structure cannot provide for all kinds of relationship. This is why informal relationships are made to exist within the frame work. But the organization structure is complete or perfect with the help of effective leadership.

2. Directing group activity

The personal conduct and behaviour of a leader can direct others to achieve organizational goals. The main responsibility of a leader is to get the work done effectively by the followers. The followers cannot work hard and effectively without leadership. A leader can alone consolidate the efforts and direct them towards the goal.

3. Technological, economic and social changes.

The organization should change its operation and style according to the change in market. This is possible only with the help of effective leader. If the changes do not take place, the organization cannot survive.

4. Better utilization of manpower.

The leader implements the plans, policies and programmes to utilize the available manpower effectively and get highest production with minimum human cost.

5. Avoiding imbalances.

An organization grows in size and complexity with the imbalances. Complexity arises due to the introduction of new functions. The reason is that the introduction of new

functions resulted in increased level of management. So, there is a problem of command, coordination and control. A leader can tackle these problems and maintain balance.

6. Source of motivation

Simply the existence of leadership does not motivate the workers. The leadership style should be utilized to motivate the workers according to the situation prevailing. The achievement of goal is doubt in the absence of leadership.

7. Developing good relations

Human relations represent the leadership between the leader and the followers. An efficient leader can develop skill of the followers and promote self-confidence apart from motivation. He creates opportunity to show their ability and induce the followers to work. In this way, the leader promotes co-operative attitude of workers and maintains better relations with them.

8. Promoting the spirit of cooperation.

A dynamic leader can coordinate the activities of the subordinate. In an organization, workers are working in groups, so there is a need for cooperation among the group members. A leader promotes the spirit of coordination among the workers.

9. Fulfilling social responsibilities.

Social responsibility refers to high standard of living to workers, higher productivity and income to the organization, more revenue to the government, reasonable price to the consumers and fair return on investment to the investors. These could be achieved with the help of effective leadership.

5.2. 3 FUNCTIONS OF A LEADER

A leader has to perform number of functions in an organization for various reasons like attainment of goals, coordination, etc. Some of the functions of leadership are as follows.

Functions of a leader:**1. Taking initiative**

A leader has to take all initiatives to lead the business activities. He should not expect others to induce him to take initiative. He himself should come in the field and take all steps to achieve predetermined targets.

2. Representation.

A leader is a representative of an organization. The leader represents the purpose of organization to workers and outsiders.

3. Guide

The leader has the primary duty of guiding others. A leader should give proper direction. If he does not do so, the organization will not succeed. The leader should issue instructions and orders whenever needed. These instructions and orders should be properly communicated.

4. Encouraging others

The leader is the captain of a team. The leader must win the confidence of his colleagues before winning in a competition. The leader cannot succeed without team work. Encouragement is necessary to build up team work.

5. Arbitrator and mediator

The leader can settle the disputes arise among the workers. Besides, he can create a smooth relationship among the workers. He performs these duties in a friendly manner. Generally, people accept friendly advice. Sometimes, the leader can act as friend.

6. Planner

The type of activity or type of work is to be decided by the leader. The leader can

decide when a work is to be done, where it should be done and by whom it should be done.

7. Rewards and punishment

There is a standard for some set of work. Some workers perform their work within a standard time and properly. The leader can give rewards to those who have completed the work as per the standard. The leader can punish the worker who does not complete the work as per the requirements of job.

8. Integration.

Each individual does a part of a whole work. They perform the work according to their specialization. Here, there is a need for integration. So, the leader integrates the efforts of all workers.

9. Communication

An individual understands his authority and responsibility from organizational policies, procedures and programmes. The leader should arrange for an effective communication system in an organization.

10. Production

A leader is expected to show high production figures. The leader follows a production-oriented style. He should take all necessary steps to increase production.

The functions of leader perform vary with a number of different factors. The relative importance of different leadership functions depends in part upon the type of organization in which the leader operates, the particular social situation existing with the organization, the nature and size of group membership etc.

5.2 4 CHARACTERISTICS OF A SUCCESSFUL LEADER

Some of the important characteristics of leadership are as follows:

1. There must be followers

A leader cannot exist without followers. If a leader does not have followers, he cannot exercise his authority. Leadership exist both in formal and informal organization.

2. Working relationship between leader and followers.

There must be a working relationship between the leader and his followers. It means that the leader should present himself in a place where the work in actually going on. If he is no so, he cannot get things done.

3. Personal quality

The character and behaviour of a man influence the work of others.

4. Reciprocal relationship

Leadership kindles a reciprocal relationship between the leader and his followers. A leader can influence his followers and in turn, the followers can influence the leader. The willingness of both the leader and the followers is responsible for the influence and no enforce is adopted.

5. Guidance

A leader guides his followers to achieve the goals of an organization. A leader should take steps to motivate his followers for this purpose.

6. Related to particular situation.

Leadership is applicable to a particular situation at a given point of time. It varies from time to time.

7. Shared function

Leadership is a shared function. A leader is also working along with his followers to achieve the objectives of the organization. Besides, the leader shares his experience,

ideas and views with his followers.

8. Power relationship

A leader has power to exercise over his followers. The leader derives these powers from the organizational hierarchy, superior knowledge, experience and the like.

5.2 5 QUALITIES OF A GOOD LEADER

To be able to provide effective leadership to his subordinates, a leader needs to have certain qualities. The more important qualities of a leader may be summarised as follows:

1. Physical appearance and strength

The leader has to put in hard work physically. He should have a capacity to work for long hours than others. It provides the diligence of the leader to his followers.

2. Mental vigour

The leader is also strong mentally. It means that the leader is expected to withstand strain in finishing the work properly.

3. Emotional stability

The leader should not be moved by emotion or sentiment. He should analyse the problem rationally and take a decision without bias. The leader should not be a short temper.

4. Sense of judgments

A leader should know the human psychology. He should understand the behaviour, needs, thoughts, motives, etc., of his followers. This will help him to take a strategic decision and get it recognized by his followers.

5. Goodwill

A leader should be able to understand the feelings of others. He takes decision on the basis of expectations of his followers. If he does not do so, he will not win the goodwill of his followers.

6. Motivation

A leader should know the motivation technique and how to use them. If a person is forced to do his work under the threat of getting punishment, he will not perform his work properly. At the same time, if he is motivated, he will perform the job more than the expectations of his leader.

7. Communication skill

Whatever the information needed to workers, it should be passed through the leader. So, the leader should communicate the information to the workers. If the leader has communication skill, he will direct his followers effectively.

8. Guiding ability

The leader acts as a teacher to new workers. So the leader helps his followers to learn their work. He should strain the workers try work and lead them to complete the job effectively.

9. Sociability

An able leader can easily mingle with the workers. The workers should be encouraged to discuss their problems and difficulty with their loss. The leader should also meet the workers frequently. The leader should show his keen interest to develop the ability of workers.

10. Technical knowledge

A leader should possess a thorough knowledge of the theory and practice of his job. Besides, he should know the current development in the job along with technical

knowledge.

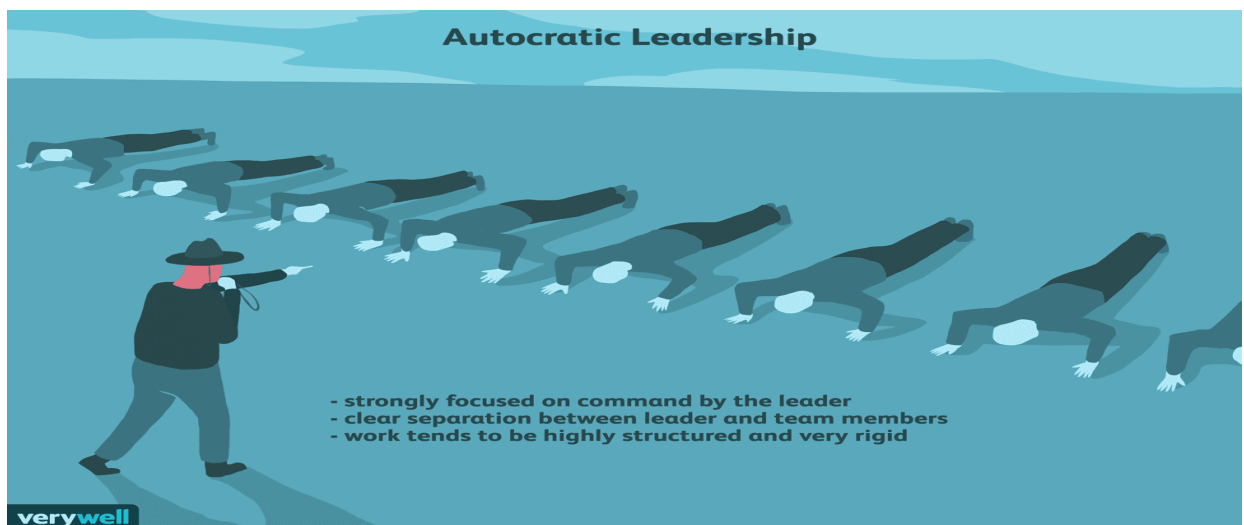
Besides all these qualities, he should be honest, sincere, fair and reasonable in his dealings with his subordinates.

5.2 6 TYPES OF LEADERSHIP

Leadership cannot exist without followers. The characteristics of the followers and the conditions, under which they follow, are material to the exercise of leadership. The leader must suitably adjust his behaviour with followers who are able but not willing, or willing but not able, or both able and willing. Based on the types of leader behaviour, leaders may be classified as follows.

Autocratic/Authoritarian/ Directive style

This is the traditional method of leadership. This style of leadership centralizes power and decision making in himself. He exercises complete control over subordinate. He dominates and drives his followers through coercion and command. He used both negative and positive motivations. This style of leadership is appropriate where subordinates are uneducated, unskilled, unwise and inexperienced. The leader creates a work situation under which the subordinates are expected to work. They work neither more nor less than the instruction of the leader.



Merits

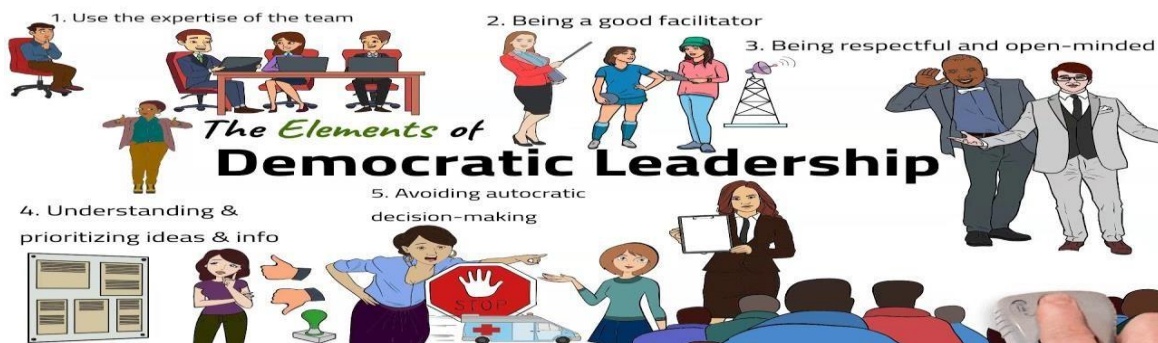
1. It provides strong motivation to the followers.
2. Quick decision is possible
3. Less talented followers can perform their job effectively
4. Followers need not take any decision
5. Decision-making, planning or organizing need no initiative.

Demerits

1. Most of the people dislike this style
2. Frustration, low morale and conflict develop easily under this style
3. New ideas or creative ideas of the followers will not have a scope to be applied
4. The followers have no opportunity for development.

Democratic/ Participative style

It is just opposite to autocratic style. In this type, the leader decentralizes the powers. He encourages the subordinates to take part in decision making. Here in, leaders like group discussion and group decision making. The decisions are taken whole heartedly. The reason is that the superior has consultation with his subordinates before taking a decision. The subordinate know the goals of the organization, so they offer fruitful ideas during discussions. This style is appropriate when subordinates are educated, skilled, wise, creative and enthusiastic.



Merits

1. Consultation gives satisfaction to the followers.
2. Followers show more interest in increasing then company's productivity.
3. Followers are aware of the activities of the organization
4. A leader can improve his decision-making ability through consultation with his followers
5. Followers get opportunity to show their ability or talent.

Demerits

1. Decentralization of power is used only when consultation is made for taking a decision
2. It takes more time to take decision and implement it.
3. Followers can dominate the leader
4. A leader can easily shift the responsibility to his followers for failure in taking and implementing a decision
5. It requires communication skill on the part of the leader.

Free-rein/ permissive/ laissez faire style

Under this style the leader largely depends upon the group and its members to establish their own goals and make their own decisions. The leader acts as a liaison officer between the employee and the outside world. He brings the information, which is needed to the employees. The information is utilised by the employees to do their job.

Merits

1. Morale and job satisfaction of the followers are increased to some extent
2. The talent of the followers is properly utilized
3. The followers get full opportunity to develop their talents
4. Free flow of communication between the leader and the members of the group.

Demerits

1. Leader contribution is completely ignored

2. The leader does not care to motivate his followers
3. The leader does not support the followers and no guidance is available to the former.

Expert or Intellectual or Functional Leader

- Under this style the leader does not command.
- Most of his time is spent thinking about doing things faster and better.
- His subordinates are not as serious and painstaking as he is,
- He is quite poor on the human relations side.

Intuitional Leader

The institutional leader is one who wields power over his followers due to the position or office occupied by him in the organizational hierarchy. At times, he may also derive power from his personality and behaviour. By virtue of such positional and personal power, he manipulates and controls the activities of others to accomplish the group objectives.

Paternalistic Leader

A paternalistic leadership is characterized primarily by loyalty of followers in a warm and cohesive setting. The leader is much concerned with the well-being of his followers and comes to their rescue ever so often.

He is concerned more with relationship behaviour, it can be successful only in cases where the followers possess job maturity and are only lacking psychological maturity.

5.2.7 MEANING OF CO-ORDINATION

Co-ordination refers to the process of organizing people or groups so that they work together properly and well. It involves aligning the activities of different departments or groups to achieve organizational goals efficiently and effectively. Co- ordination ensures that all parts of the organization are working towards the same objectives without unnecessary duplication or conflict.

5.2.8. TECHNIQUES OF CO-ORDINATION:

Direct Supervision: A manager or supervisor directly oversees and guides the activities of employees to ensure they align with organizational goals. Ensures immediate feedback and corrections.

Standardization of Work Processes: Establishing standard procedures and routines to be followed by employees. Helps in maintaining consistency and uniformity in performance.

Standardization of Outputs: Setting specific standards for the outputs or results of work processes. Employees are aware of the expected results, which helps in aligning their activities accordingly.

Standardization of Skills: Ensuring that employees have the necessary skills and training to perform their tasks efficiently. This helps in reducing variability in performance and improves coordination.

Mutual Adjustment: Informal communication between employees to coordinate activities. Allows for flexibility and quick adjustments to changing situations.

Plans and Schedules: Developing detailed plans and schedules to outline tasks, timelines, and responsibilities. Helps in synchronizing activities and ensuring that all parts of the organization are working in harmony.

Liaison Roles: Designating specific individuals or roles to facilitate communication and coordination between departments or teams. Ensures smooth flow of information and resolves inter-departmental issues.

Committees and Task Forces: Forming committees or task forces to address specific issues or projects that require coordination among different departments. Encourages collaboration and collective problem-solving.

Information Systems: Implementing information systems that facilitate the sharing

and dissemination of information across the organization. Enhances transparency and enables better decision-making.

Coordination through Corporate Culture: Developing a strong organizational culture that emphasizes teamwork, collaboration, and shared values.

Encourages employees to work together towards common goals naturally.

5.2 9 SUCCESSFUL INDIAN WOMEN ENTREPRENEURS

1. Indra Nooyi: Indra Nooyi is a businesswoman who has been instrumental in the growth and expansion of Pepsico. Nooyi served as Pepsico's CEO and chairman. Today, she serves on the boards of Amazon and the International Cricket Council (ICC). In 2008, Nooyi was elected as the chairwoman of the US-India Business Council. In 2009, she was named as the 'Top Gun CEOs' by Brendan Wood International. In 2013, she was awarded by the former President of India Pranab Mukherjee at the Rashtrapati Bhavan. She has been consistently bagging a place in the list of the world's 100 most powerful women. In 2014, Nooyi ranked #13 on Forbes list of the World's 100 Most Powerful Women. In 2015, she ranked #2 on Fortune's list of the Most Powerful Women. Again in 2017, Nooyi ranked #2 on Forbes list of the 19 Most Powerful Women in Business. In 2018, she was named as one of the 'Best CEOs in the World' by CEOWORLD Magazine..

2. Kiran Mazumdar-Shaw Kiran Mazumdar-Shaw is an Indian billionaire entrepreneur. She is the chairperson and the managing director of Biocon Limited based in Bangalore. She is also the former chairperson of Indian Institute of Management, Bangalore. In 1989, Mazumdar received the Padma Shri from the Government of India for her contribution toward the biotechnology sector. In 2002, she was recognised as a Technology Pioneer by the World Economic Forum. In the same year, she also received the Ernst and Young Entrepreneur of the Year Award. In 2005, she received the Indian Chamber of Commerce Lifetime Achievement Award and Corporate Leadership Award by the American India Foundation. In the same year, she also received the Padma Bhushan from the government of India. In 2009, she received the Nikkei Asia Prize for

regional growth. In 2014, Kiran was awarded the Othmer Gold Medal for contribution to science and chemistry. She was also on the list of top 50 Women in Business by Financial Times. In 2019, Forbes listed her as the #65 on the list of Most Powerful women in the world.. Read more at: <https://www.fincash.com//investment/top-successful-indian-business-women>

3. Vandana Luthra Vandana Luthra is a celebrated Indian entrepreneur. She is the founder of VLCC Health Care Ltd. She is the chairperson of the Beauty and Wellness Sector Skill and Council (B&WSSC). She was first appointed as the chairperson of this sector in 2014. This is an undertaking of the government of India that provides skills training for the beauty Industry. Luthra was ranked #26 in Forbes Asia list 2016 of 50 Power Businesswoman. VLCC is one of the best beauty and wellness service industries in the country. It has its operations up and running in 326 locations across 153 cities in 13 countries in South Asia, South East Asia, the GCC region and East Africa. The industry has 4000 employees, including medical professionals, nutrition counsellors, physiotherapists, cosmetologists and beauty professionals..

4. Radhika Aggarwal Radhika Aggarwal is an Indian entrepreneur and the co-founder of the internet marketplace Shop Clues. She is the recipient of the Outlook Business Woman of Worth at Outlook Business Awards in 2016. In the same year, she also received the Woman Entrepreneur of the Year at Entrepreneur India Awards. Aggarwal completed her MBA from Washington University in St. Louis and holds a post-graduation degree in advertising and public relations

5. Vani Kola is one of the most recognized investors in the world. She is an Indian venture capitalist also the founder and managing director of Kalahari Capital. She was also listed as one of the most powerful women in Indian Business Fortune India in 2018 and 2019. Vani was awarded the Midas touch award for the best investor in 2015. She was also recognized as one of the Most Powerful Women in Indian by Forbes in 2014. In 2016, she was recognized as LinkedIn's Top Voices in 2016.

5.2. 10 CHALLENGES FACED BY WOMEN

1. Problem of Finance:

Finance is regarded as “life-blood” for any enterprise, be it big or small. However, women entrepreneurs suffer from shortage of finance on two counts.

Firstly, women do not generally have property on their names to use them as collateral for obtaining funds from external sources. Thus, their access to the external sources of funds is limited.

2. Scarcity of Raw Material:

Most of the women enterprises are plagued by the scarcity of raw material and necessary inputs. Added to this are the high prices of raw material, on the one hand, and getting raw material at the minimum of discount, on the other. The failure of many women co-operatives in 1971 engaged in basket-making is an example how the scarcity of raw material sounds the death-knell of enterprises run by women (Gupta and Srinivasan 2009).

3. Stiff Competition:

Women entrepreneurs do not have organizational set-up to pump in a lot of money for canvassing and advertisement. Thus, they have to face a stiff competition for marketing their products with both organized sector and their male counterparts. Such a competition ultimately results in the liquidation of women enterprises.

4. Limited Mobility:

Unlike men, women mobility in India is highly limited due to various reasons. A single woman asking for room is still looked upon suspicion. Cumbersome exercise involved in starting an enterprise coupled with the officials humiliating attitude towards women compels them to give up idea of starting an enterprise.

In India, it is mainly a women’s duty to look after the children and other members

of the family. Man plays a secondary role only. In case of married women, she has to strike a fine balance between her business and family. Her total involvement in family leaves little or no energy and time to devote for business.

Support and approval of husbands seem necessary condition for women's entry into business. Accordingly, the educational level and family background of husbands positively influence women's entry into business activities.

5. Lack of Education:

In India, around three-fifths (60%) of women are still illiterate. Illiteracy is the root cause of socio-economic problems. Due to the lack of education and that too qualitative education, women are not aware of business, technology and market knowledge. Also, lack of education causes low achievement motivation among women. Thus, lack of education creates one type or other problems for women in the setting up and running of business enterprises.

6. Male-Dominated Society:

Male chauvinism is still the order of the day in India. The Constitution of India speaks of equality between sexes. But, in practice, women are looked upon as abla, i.e. weak in all respects. Women suffer from male reservations about a women's role, ability and capacity and are treated accordingly. In nutshell, in the male-dominated Indian society, women are not treated equal to men. This, in turn, serves as a barrier to women entry into business.

8. Low Risk-Bearing Ability:

Women in India lead a protected life. They are less educated and economically not self-dependent. All these reduce their ability to bear risk involved in running an enterprise. Risk-bearing is an essential requisite of a successful entrepreneur.

In addition to above problems, inadequate infrastructural facilities, shortage of power, high cost of production, social attitude, low need for achievement and socioeconomic constraints also hold the women back from entering into business.

Let's Sum UP

Leadership involves guiding and influencing individuals or groups to achieve organizational goals through various styles and approaches. The nature of leadership encompasses setting visions and inspiring others. Key theories include Trait Theory, which posits that effective leaders have inherent qualities; Behavioral Theory, which focuses on leaders' actions; Contingency Theory, which emphasizes the suitability of leadership styles to situations; and Transformational Leadership, which inspires and motivates followers. Leadership styles range from autocratic and democratic to laissez-faire, transactional, and transformational. Effective leaders exhibit qualities such as integrity, confidence, empathy, and decisiveness. Prominent women leaders like Indra Nooyi and Mary Barra exemplify successful leadership, though women often face challenges such as gender bias, work-life balance issues, and unequal pay. Supervision, a critical component of leadership, involves overseeing employee performance and fostering development

Check Your Progress – Quiz – 2

1. Which leadership theory suggests that certain individuals are born with qualities that make them effective leaders?
 - a) Behavioral Theory
 - b) Trait Theory
 - c) Contingency Theory
 - d) Transformational Leadership
2. Mary Barra is the CEO of which major company?
 - a) PepsiCo
 - b) Facebook
 - c) General Motors
 - d) Xerox
3. Transformational leaders are known for:
 - a) Focusing on rewards and punishments
 - b) Inspiring and motivating followers
 - c) Minimizing their involvement in decision-making

- d) Centralizing decision-making power
4. What is a common challenge faced by women in the workforce?
- a) Overrepresentation in leadership roles
 - b) Equal pay compared to male counterparts
 - c) Gender bias and discrimination
 - d) Excessive mentorship opportunities
5. Indra Nooyi is best known for her leadership role at:
- a) Facebook
 - b) Xerox
 - c) PepsiCo
 - d) General Motors
6. Which of the following is NOT a typical function of supervision?
- a) Overseeing employees
 - b) Providing feedback
 - c) Setting organizational vision
 - d) Fostering professional development

5.3.1 MEANING OF CONTROLLING

Control is the effective counterpart to planning. Planning starts and controlling ends the whole sequence of the management process. Control is concerned with securing individual and organizational performance. This is affected through setting standards, measuring and evaluating the performance against the standards and taking corrective action, whenever necessary. The controlling function will be unnecessary to the management if other functions of management are performed properly.

DEFINITION

Koontz and O' Donnel – “Controlling is the measurement of accomplishment against the standards and the correction of deviations to assure attainment of objectives according to plans”.

George R. Terry, “Controlling is determining what is being accomplished that is

evaluating the performance and if necessary applying corrective measures so that the performance takes place according to plans”.

J. K. Rosen – “Control is that function of the system which provides direction in performance to the plans”.

5.3. 2 NATURE OF CONTROL

Control is a function of management: Actually control is a follow up action to the other functions of management performed by managers to control the activities assigned to them in the organization.

Control is based on planning : Control is designed to evaluate actual performance against predetermined standards set up in the organization. Plans serve as the standards of desired performance. Planning sets the course in the organization and control ensures action according to the chosen course of action in the organization.

Control is a dynamic process: It involves continuous review of standards of performance and results in corrective action, which may lead to changes in other functions of management.

Information is the guide to control: Control depends upon the information regarding actual performance. Accurate and timely availability of feedback is essential for effective control action.

The essence of control in action: The performance of control is achieved only when corrective action is taken on the basis of feedback information.

It is a continuous activity: Control is not a one step process but a continuous process. It involves constant revision and analysis of standards resulting from the deviations between actual and planned Performance and analysis of standards resulting from the deviations between actual and planned performance.

Delegation is the key to control: An executive can take corrective action only

when he has been delegated necessary authority for it.

Control aims at future: Control involves the comparison between actual and standards. So corrective action is designed to improve performance in future.

Control is a universal function of management: Control is the basic or primary function of management. Every manager has to exercise control over the subordinates' performance. No manager can get things done without the process of controlling. So control is an essential managerial function at every level.

Controlling is positive: The function of controlling is positive. It is to make things happen. Controlling should never be viewed as being negative in character.

5.3.3 NEED / IMPORTANCE OF CONTROL

Control is necessary as other functions of management. The control is necessary on account of the following reasons:

➤ **Judging the accuracy of standards**

The actual performance should be compared with the fully accurate standards but, it is very difficult for large and complex organizations to establish the fully accurate standards because of the lack of timely information. In such a case, control is necessary to judge the accuracy of standards.

➤ **Minimize dishonest behaviour**

An honest person may tempt to misbehave in the absence of control. Only an efficient control minimises the dishonest behaviour or maintains honest behaviour on the part of employees.

➤ **Better performance**

Employees will become lazy in the absence of control. Control facilitates to get better performance and regulate the effort of the employees.

5.3.4 STEPS IN THE PROCESS OF CONTROLLING

According to Koontz O' Donnel, the control process involves the following 3 steps:

1. Establishing standards.
2. Measuring performance
3. Correcting the deviations

1. Establishing standards:

Establishment of standards is the first step in the controlling process. Standards are the performance expectations. In other words, standards may be defined as measured quantities, which should be attained in connection with some particular operation or activity. Thus, standards are the yardsticks of performance and as such must be established while establishing standards, the manager is expected to consider the following questions and find out the answers:

1. What type of Standards required?
2. How to set the standards?
3. Which strategic points selected?

2. Measurement of performance:

After standards are established the next step in the control process is the measurement of performance. While measuring the performance of standards the following questions should be kept in mind.

1. What and how to measure?
2. Why to measure?

3. When to measure?

4. How to check the performance?

Measurement of performance is an easy task when the standards and methods of measuring performance are clear. Qualitative performance such as Morale, human relations, job satisfaction etc cannot easily be measured because of lack of standards. While measuring the performance, comparison of the actual and standard performance should be made in order to find out the causes of such deviation. This enables better control and ensures better performance.

3. Correcting the deviation:

The final step in the controlling process is correcting the deviations, corrective actions are necessary to avoid the occurrence of unfavourable deviations in future corrective actions make control effective and create a sense of responsibility and discipline among the employees.

5.3.5 TYPES OF CONTROL TECHNIQUES

Various methods are used by the management for controlling the various deviations in the organization. Some of them are as follows.

Statistical control reports

This type of reports are prepared and used in large organizations. Reports are prepared in quantitative terms. Then the variations from standards are easily measured. E.g.: Periodical report of sales volume.

Personal observation

Under this technique, the manager personally observes the operations in the work place. The manager corrects the operations whenever the need arises. This is the oldest method of control.

Cost accounting and cost control

Profit of any business depends upon the cost incurred to run a business. Profit is maximized by reducing the cost of operation or production. Management uses a number of systems for determining the cost of products and services. They are used for effective cost control and cost reduction.

Break even analysis

Break even analysis is a function of 3 factors .i.e., sales volume, cost and profit. It aims at classifying the relationship existing between total cost and sales volume of a company. Hence it is also known as cost volume profit analysis. It indicates “No profit No loss” point. BEP enables to know the expected amount of sales to have desired level of profit.

Special control reports

This report may or may not contain statistical data. Using this technique, a particular operation is investigated at a specified time for a particular purpose. The deviations from standards are paid additional attention and corrective action is taken. E.g.: Handling complaints of damage.

Management audit

It is an independent process. It aims at pointing out the inefficiency in the performance of management functions such as planning, organising, staffing, etc and suggesting possible improvements. It is not compulsory audit and not enforced by law.

Standard costing

It is used to control the cost. The following are the steps involved in standard costing.

- ☞ Determining the cost of standards of various components such as material, labour, etc.
- ☞ Measurement of actual performance.
- ☞ Comparison of actual cost with standard cost to find out the variations.
- ☞ Finding the causes of variations.
- ☞ Taking measures.

💡 Return on investments

Return on investment is also known as return on the capital employed using this technique, the rate of profitability is identified by the management. Return on investment is calculated by dividing the net profit with the total investment on capital employed in the business organization.

💡 Internal audit

Internal audit report is prepared at regular intervals, normally by months. It covers all the area of operations. It emphasises the degree of deviations from the expectations

💡 Responsibility accounting

The performance of various people is judged by assessing how far they have achieved predetermined objectives. The objectives are framed section wise, department wise and division wise and assessed similarly. An individual is responsible for his area of operation in a particular section, department or division.

💡 Managerial statistics

Using the managerial statistics technique, the manager compares the past results with current results in order to know the causes for changer. These are very useful to the management in planning and decision making for the future.

Performance Evaluation and Review Technique (PERT)

This technique is used to solve the problem which crops up once or a few minutes. It is not useful in tackling the problems which come up continuously. It is very useful for construction projects, publication of books, etc.

Critical Path Method (CPM)

This technique also follows the principle of PERT. The technique concentrates on cost rather than duration. CPM assumes that duration of every activity is constant. Time estimate is made for each activity.

Gantt milestone chart

This technique was a old one and at present, it is not in use. The reason is that this technique emphasises only on production scheduling but not on product quality.

Production control

The production control technique is necessary for smooth functioning of an organization. Production control involves planning of production, determination of stock level of raw materials, finished goods, selection of process, etc.

Management information system

Relevant information is collected and transferred to all the persons who are responsible to take decisions. A communication system is developed through which all levels of persons are informed about the growth of the organization. Whenever the deviation is found, the corrective or control action is taken by the responsible person.

External audit control

External audit is a must to all the joint stock companies under the purview of statutory control. The external auditor certifies that all the books of accounts are kept as per the requirements of law and supplies all the necessary information for the purpose of

audit and the balance sheet presents a true and fair view. It is conducted by the qualified auditor.

Zero-base budgeting

Zero-base budget is prepared without considering the previous year's figures. This technique requires the recalculation of all organizational activities to ascertain which should be eliminated or reduced or increased. In other words, the funds are estimated at current requirements. It means finding out how much amount is necessary to complete an ongoing project.

Standing orders

It covers rules and regulations, discipline, procedure and the like. Rules and regulations are framed according to the requirements of administration. For e.g.: No employee should leave the office before office time without getting prior permission in writing.

Budgetary control

The preparation of budget is also one of the control techniques followed by management. Its purpose is the estimation of the development of organization activities and watching whether the present performance confirms to the budgeted figures. If there are any deviations, the causes will be identified and corrective action recommended.

5.3. 6 MANAGEMENT BY EXCEPTION (MBE)

MBE is a style of business management that focuses on identifying and handling cases that deviate from the norm, recommended as best practice by the project management method.

Management by exception has both a general business application and a business intelligence application. General business exceptions are cases that deviate from the normal behavior in a business process and need to be cared for in a unique manner, typically by human intervention. Their cause might include: process deviation,

infrastructure or connectivity issues, external deviation, poor quality business rules, malformed data, etc. Management by exception here is the practice of investigating, resolving and handling such occurrences by using skilled staff and software tools. Good management can contribute to efficiency of business processes. Often in these cases the process will be called exception management, as exceptional cases are not the sole focus of the managerial policy, and exception management (as opposed to management by exception) denotes a more moderate application of the process.

Management by exception gives employees the responsibility to make decisions and fulfill their work or projects by themselves. It consists of focus and analysis of statistically relevant anomalies in the data. If an unusual situation or deviation in the recorded data appears, which could cause difficulties for the business and can't be managed by the employee at his level, the employee should pass the decision on to the next higher level.^[2] For example, if all products are selling at their expected volumes for the quarter, except one particular product which is underperforming or overperforming at a statistically relevant margin, only the data for that product will be presented to the managers for further investigation and discovery of the root cause. Management by exception can bring forward business errors and oversights, ineffective strategies that need to be improved, changes in competition^[4] and business opportunities. Management by exception is intended to reduce the managerial load and enable managers to spend their time more effectively in areas where it will have the most impact. This management concept is widely attributed to Frederick W. Taylor and was first discussed in his work, "*Shop management: A paper read before the American Society of Mechanical Engineers*. N.Y: American Society of Mechanical Engineers.

Exception management also has an IT application. When writing code, if the programmer sees that there will be an exceptional case where a predefined assumption of the application will be breached, the programmer will need to deal with that exception programmatically from the outset.

Let's Sum Up

Control is a fundamental managerial function that involves monitoring and regulating organizational activities to ensure they align with planned objectives. Key

characteristics of control include its goal-oriented nature, pervasiveness at all management levels, continuity, forward-looking approach, and adaptability. Control is essential for achieving organizational objectives, improving efficiency, managing risks, facilitating coordination, and ensuring compliance. The control process consists of establishing standards, measuring performance, comparing actual performance against standards, taking corrective actions, and continuously adjusting based on feedback. Effective control requires accuracy, timeliness, flexibility, economy, and clarity. Techniques for controlling include budgetary control, statistical control, break-even analysis, internal audits, and management information systems (MIS). Management by Exception (MBE) is a strategy where managers focus on significant deviations from the standard, improving efficiency and allowing managers to concentrate on strategic issues.

Check Your Progress – Quiz – 3

12. Which characteristic of control involves anticipating and correcting deviations before they occur?
- a) Goal-Oriented
 - b) Pervasive
 - c) Forward-Looking
 - d) Dynamic
13. In the stages of the control process, what follows after measuring performance?
- a) Establishing standards
 - b) Taking corrective action
 - c) Comparing performance
 - d) Feedback and adjustment
14. Which of the following is NOT a requisite of effective control?
- a) Accuracy
 - b) Timeliness
 - c) Rigidity
 - d) Understandability

15. Management by Exception (MBE) primarily focuses on:

- a) Routine matters
- b) Significant deviations
- c) Daily operations
- d) Standard procedures

16. Which controlling technique uses budgets as a means of controlling financial resources?

- a) Statistical Control
- b) Break-even Analysis
- c) Internal Audits
- d) Budgetary Control

5.4 Unit Summary

The principles of management encompass key areas such as motivation, communication, leadership, supervision, coordination, and control. Motivation involves understanding and leveraging factors that drive individuals to perform at their best, guided by theories like Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory. Effective communication, which can be verbal, non-verbal, written, or visual, is crucial for ensuring clarity and understanding within an organization. Barriers to communication, such as language and cultural differences, must be addressed through active listening and feedback. Leadership, the ability to influence and guide individuals or groups towards achieving goals, is explored through various styles and theories, including transformational and transactional leadership. Successful leaders possess qualities such as integrity, confidence, and empathy, and face challenges like gender bias and underrepresentation, especially for women in the workforce.

Coordination and control are essential for organizational efficiency and goal achievement. Coordination involves aligning the activities of various departments and individuals to ensure unity of action, using techniques like standardization and informal communication. Control, a continuous process of monitoring performance and taking corrective actions, ensures that organizational goals are met. Effective control requires suitable, timely, and flexible measures. Management by Exception (MBE) allows

managers to focus on significant deviations from standards. Supervision involves overseeing and guiding the work of subordinates, while warehousing, logistics, and supply chain management play critical roles in operational efficiency. Key strategies for success in these areas include adapting to local cultures, leveraging technology, and ensuring quality as defined by customer needs.

5.5 Glossary

Maslow's Hierarchy of Needs	This theory suggests that individuals are motivated by different levels of needs
Herzberg's Two-Factor Theory	Herzberg proposed that job satisfaction and dissatisfaction are influenced by different factors. Satisfaction is often related to intrinsic motivators like recognition and achievement
Trait Theory	This theory suggests that certain individuals possess inherent qualities or traits that make them effective leaders. These traits may include intelligence
Behavioral Theory	Behavioral theories focus on the actions and behaviors of leaders rather than their innate traits. They suggest that leadership effectiveness can be learned and developed through observation
Contingency Theory	Contingency theories propose that the effectiveness of a leader depends on various situational factors
Autocratic	Autocratic leadership involves centralized decision-making, where the leader holds most of the authority and makes decisions without consulting others.
Democratic	Democratic leadership encourages participation and input from team members in decision-making processes, fostering a sense of inclusivity and empowerment.

Laissez-Faire	Laissez-faire leadership is characterized by minimal intervention from the leader, allowing team members to make decisions and manage their own tasks independently.
Establishing Standards:	Standards are benchmarks or criteria against which performance is measured. They provide a basis for evaluating and comparing actual performance.
Measuring Performance:	Performance measurement involves collecting data on actual performance through various methods such as observation, reports, and metrics.
Management by Exception (MBE)	MBE is a management strategy where managers focus their attention on significant deviations from established standards or expectations rather than routine matters.

5.6 Self – Assessment

Essay Type Questions

1. Discuss Maslow's Hierarchy of Needs and its application in the workplace.
2. Explain the barriers to effective communication and suggest measures to overcome them.
3. Describe the various leadership styles and their effectiveness in different organizational settings.
4. Analyze the qualities of successful women leaders and the challenges they face in the workforce.
5. Define coordination and discuss the techniques used to achieve effective coordination in an organization.
6. Describe the control process in management and the requisites of effective control.
7. Explain the concept of Management by Exception and its advantages.
8. Discuss Herzberg's Two-Factor Theory of motivation with examples.
9. Explain the role of supervision in an organization and its impact on employee

performance.

10. Analyze the importance of leadership in achieving organizational goals.

5.7 Case Study

IndraNooyi at PepsiCo

IndraNooyi, as CEO of PepsiCo, led the company through significant transformations. She introduced the "Performance with Purpose" initiative, focusing on sustainability and healthier product lines. Despite facing challenges such as skepticism from investors and resistance to change, Nooyi's leadership style, which combined transformational and participative elements, helped PepsiCo grow sustainably.

Satya Nadella at Microsoft

Satya Nadella, as CEO of Microsoft, revitalized the company by fostering a culture of innovation and embracing cloud computing. He introduced a growth mindset, encouraging collaboration and learning across all levels of the organization. Nadella shifted Microsoft's focus from a product-centric to a customer-centric approach, with an emphasis on cloud services through Azure. His leadership style, combining empathy and strategic vision, navigated Microsoft through significant changes, driving the company to new heights in market value and relevance.

Mary Barra at General Motors

Mary Barra, as CEO of General Motors, steered the company through a period of profound change and crisis. She focused on transforming GM's corporate culture to prioritize transparency, accountability, and safety. Barra led the company into the electric vehicle market, pushing for innovation in sustainable transportation. Her decisive actions during the ignition switch recall crisis demonstrated her commitment to customer safety and corporate responsibility. Barra's leadership, characterized by resilience and forward-thinking, positioned GM as a leader in the automotive industry's future.

Elon Musk, as CEO of Tesla, revolutionized the automotive and energy industries with his visionary approach to sustainable technology. He championed the development of electric vehicles, solar energy products, and battery storage solutions, overcoming numerous financial and production challenges. Musk's leadership style, marked by his intense drive and willingness to take risks, propelled Tesla to become a dominant player in the market. Despite skepticism and obstacles, Musk's relentless focus on innovation and sustainability transformed Tesla into a symbol of technological advancement and environmental responsibility.

5.8 Activities

- 🔦 Conduct a survey on the motivational factors among employees in your organization.
- 🔦 Create a presentation on the different types of leadership styles and their effectiveness.
- 🔦 Develop a communication plan to improve internal communication in your company

🔦 5.9 Answers for your progress

1. d) Financial
2. c) Recognition
3. c) McClelland's Theory of Needs
4. b) Non-verbal Communication
5. d) Technological barriers
6. b) Trait Theory
7. c) General Motors
8. b) Inspiring and motivating followers
9. c) Gender bias and discrimination
10. c) PepsiCo

- 11. c) Setting organizational vision
- 12. c) Forward-Looking
- 13. c) Comparing performance
- 14. c) Rigidity
- 15. b) Significant deviations
- 16. d) Budgetary Control

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